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INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

HEARINGS

BEFORE A

SPECIAL COMMITTEE INVESTIGATING THE NATIONAL DEFENSE PROGRAM

UNITED STATES SENATE

SEVENTY-SEVENTH CONGRESS

FIRST SESSION

PURSUANT TO

S. Res. 71

A RESOLUTION AUTHORIZING AND DIRECTING
AN INVESTIGATION OF THE NATIONAL
DEFENSE PROGRAM

PART 10

DECEMBER 4, 5, 11, 12, 16, 17, 18, 1941; AND
JANUARY 28, FEBRUARY 12, 1942

LABOR IN DEFENSE PROGRAM

U. S. ARMY RECREATIONAL FACILITIES
AND ACTIVITIES

NONFERROUS METALS

LOBBYING

DOLLAR-A-YEAR MEN

CONTRACT REVIEW BRANCH, W. P. B.

Printed for the use of the Special Committee Investigating
the National Defense Program



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DEFENSE PROGRAM

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¹ On file with the committee.

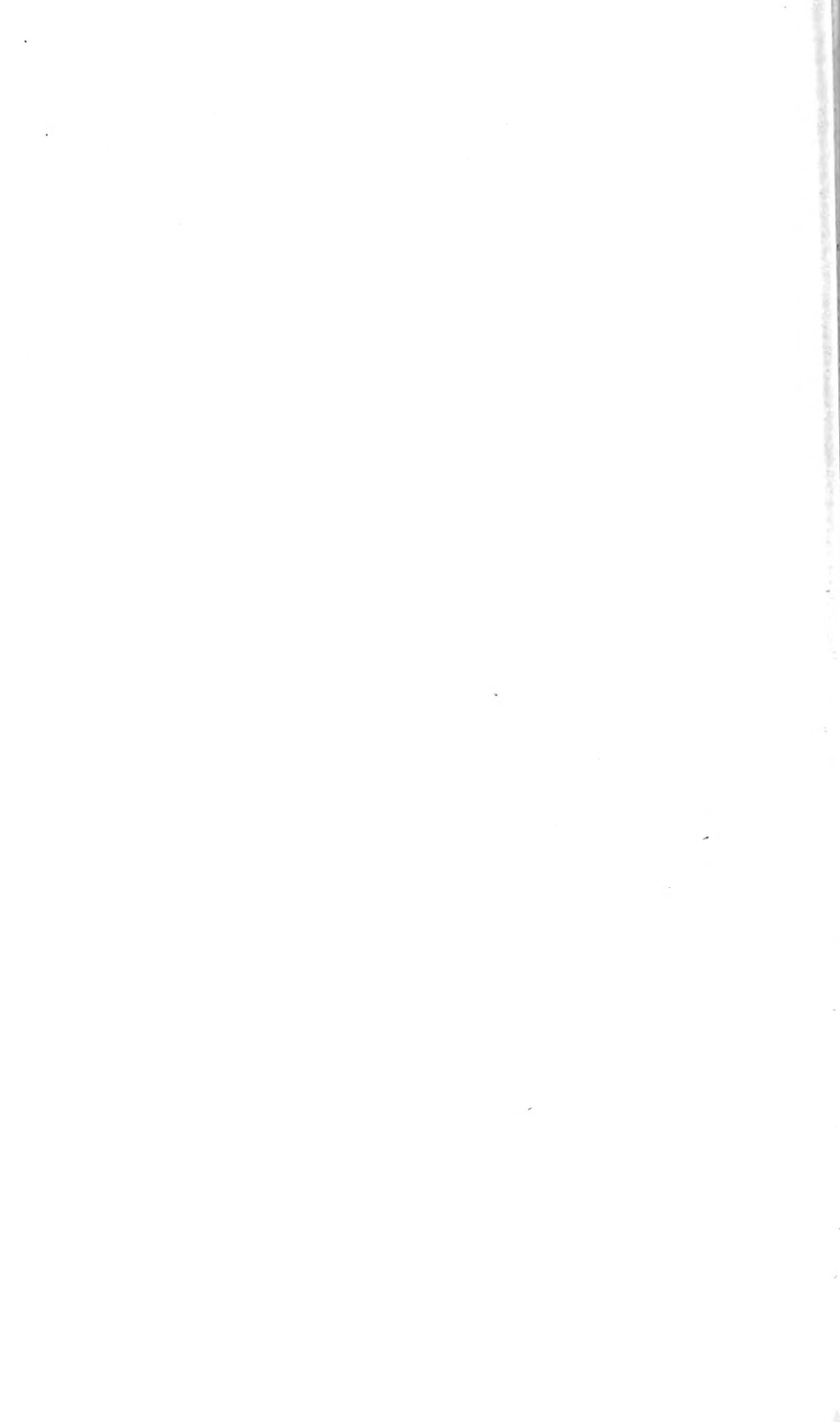
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¹ On file with the committee.



INVESTIGATION OF NATIONAL DEFENSE PROGRAM

THURSDAY, DECEMBER 4, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:45 a. m., pursuant to adjournment on Tuesday, December 2, 1941, in room 318, Senate Office Building, Senator James M. Mead presiding.

Present: Senators James M. Mead (acting chairman), Joseph H. Ball, Harley M. Kilgore, and Clyde L. Herring.

Present also: Mr. Hugh A. Fulton, chief counsel; Mr. Charles P. Clark, associate chief counsel.

Acting Chairman MEAD. The committee will please come to order. Who is the first witness?

Mr. DAVE BASOR. Mr. Basor.

Acting Chairman MEAD. Mr. Basor, whom do you represent?

Mr. BASOR. The United Brotherhood of Welders.

Acting Chairman MEAD. Mr. Basor, will you take the customary oath? Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BASOR. I do.

TESTIMONY OF DAVE BASOR, GENERAL WELDER REPRESENTATIVE, UNITED BROTHERHOOD OF WELDERS, SEATTLE, WASH.

ATTEMPTS OF WELDERS TO FORM AN INTERNATIONAL UNION

Acting Chairman MEAD. Will you give your full name, your position, and the organization that you represent to the reporter?

Mr. BASOR. My full name is David Basor. I represent the United Brotherhood of Welders, Cutters, and Helpers of America, as a representative.

Senator BALL. How many members has that organization?

Mr. BASOR. At the present time there are about 49,000.

Acting Chairman MEAD. Are you affiliated with any of the other organizations, such as the A. F. of L. or C. I. O.?

Mr. BASOR. The 49,000 I named are not affiliated. There are others who are affiliated, which would bring the total to around 80,000, and the rest of those are affiliated with either the C. I. O. or the American Federation of Labor.

Acting Chairman MEAD. So that I may understand it, you are speaking for all of them, or just for the 49,000 unaffiliated?

Mr. BASOR. No; we are speaking for all of those who have expressed a desire to have an international of their own.

Acting Chairman MEAD. That includes?

Mr. BASOR. A. F. of L. and C. I. O.

Acting Chairman MEAD. Some in both groups.

Mr. BASOR. Yes.

Senator BALL. Those in the A. F. of L. are in the building trades?

Mr. BASOR. They are in the building trades, metal trades, and even in many of the Federal charters issued A. F. of L.

Senator BALL. But there is no dual membership? Your 49,000 are not members, some of them, also of the A. F. of L., in the metal trades?

Mr. BASOR. Of that 49,000; no. They make up the arsenals and navy yards and places where it is not necessary to belong to either one of the organizations.

Acting Chairman MEAD. When you asked for an international of your own, would that international organization remain independent or would it be liable to affiliate with either the C. I. O. or A. F. of L.?

Mr. BASOR. Under the set-up as it is today, it would be an impossibility for it to affiliate with either the C. I. O. or the A. F. of L. unless both made changes in their present structure.

Acting Chairman MEAD. But if the changes were made, there is a possibility?

Mr. BASOR. It would be possible; yes.

Acting Chairman MEAD. It would have a choice, then, of affiliating with either one or the other?

Mr. BASOR. That is correct.

Senator BALL. You have a majority? You say there are about 80,000 welders working?

Mr. BASOR. There are more than 80,000 welders. We have been able to contact that many.

Senator BALL. I see. But you have approximately half, then, probably, of the total number of welders in the country in your organization?

Mr. BASOR. That is correct.

Acting Chairman MEAD. All right; you may proceed now with your written statement.

Mr. BASOR. In order to expedite this, I would like to read it through and then go back.

Acting Chairman MEAD. All right.

Mr. BASOR (reading statement):

On October 20, 1941, 178 welders at the Lake Washington Shipyard, Kirkland, Wash., were locked out by the metal-trades department of the American Federation of Labor. On October 22, 1941, the welders in the Seattle territory were called out in an effort to cause the American Federation of Labor to abandon the lock-out. During the next 2 weeks, the welders throughout the United States ceased their work in progressive numbers, the total men having walked out at the end of the 2-week period numbering some 19,000, and their ranks were increased by 1,000 per day. Three days after the men in Seattle walked out they were joined by many journeymen of the American Federation of Labor crafts who were in sympathy with their cause, resulting in the West coast shipbuilding and steel fabrication industries being brought to a standstill. This situation was not localized on the west coast, but was national in character, including the shipbuilding and steel industries throughout the Southern States, reaching as far south as Birmingham, Ala., and the movement was rapidly spreading eastward.

On October 29, 1941, Mr. Sidney Hillman, of the Office of Production Management, phoned to Karl Morris, Welders' representative in Los Angeles, Calif., requesting that representative welders be sent to Washington to meet American Federation of Labor representatives with the Office of Production Management acting as mediator. Subsequently, an agreement was reached between the representatives of the Welders and a representative of the metal trades department of the American Federation of Labor, based on the assurance of Mr. Hillman that all welders on strike or locked out and all other workers sympathizing with them would be reinstated in their former employment without discrimination, intimidation, coercion, or interference of any kind by their employers or either of the two major labor organizations. On the basis of this agreement the welders returned to work on November 6, 1941. An essential part of this agreement included the promise to convene by Mr. Hillman, after the men returned to work, a conference of representatives of the welders' organizations, representatives of other interested labor organizations, and representatives of the Office of Production Management.

The meeting called for in the agreement was set for November 17, 1941. However, it became apparent in the 10 days following the agreement that the discriminations and lock-outs had not ceased, although this was in direct opposition to the express agreement reached and confirmed on November 6, 1941, by John Frey, representative of the metal trades department, American Federation of Labor. On November 14, 1941, the representatives of the welders communicated by letter with Mr. Hillman stating the cases in the localities in which discriminations were still practiced and informing him that while these outrageous conditions existed the representatives of the welders could not take part in any conference with the American Federation of Labor. Mr. Hillman wired the representatives of the welders informing them of his desire to hear their grievances and stating that he had appointed an impartial mediator for this purpose. In reply to this telegram welders' representatives informed the Office of Production Management that they were ready to meet with the impartial mediator and after the present discriminations were cleared up they would then be ready to proceed to the next steps but maintained their position that conferences with the American Federation of Labor would be useless under existing circumstances.

On November 18, 1941, representatives of welders met with Commander Kellar, a presumed impartial mediator loaned to the Office of Production Management by the Navy Department in hopes that through his good offices the present discriminations practiced would be eliminated and the subsequent step of meeting with representatives of the major labor organizations could be taken. After several days of conferences Commander Kellar stated that he could do nothing for the welders and further activity along this line was therefore suspended.

At the present time, with the exception of instances in which the welders are still locked out, the welders have been at work in the factories and shipyards in every city throughout the United States, thus living up to their agreement in every respect. It is the desire of the welders to further the national-defense effort by aiding in continuity of production as good Americans. This desire has been frustrated by the discriminations against the welders which resulted in their being refused the right to work, which precipitated the walk-out. The underlying necessities of the situation, however, which flared into this Nation-wide walk-out of last month are still present and the welders' representatives are here today before the Senate Committee on the National Defense Program to again continue their 25-year search to achieve industrial democracy by peaceful means.

I have to be inserted there, 15 exhibits for the record, if you please.

Acting Chairman MEAD. They will be accepted.

(The documents referred to were marked "Exhibits Nos. 219 to 233" and are included in the appendix on pp. 4075-4087.)

Mr. BASOR (continues reading statement) :

In order to clearly present the position of the welders, the events which have led up to their problems, and the solution suggested to solve these difficulties, the following headings will be used:

"A. The grievances of the welders are—

"1. They have been denied the right to organize and bargain collectively through representatives of their own choosing.

"(a) The American Federation of Labor has consistently refused to recognize the welders as a unit appropriate for the purposes of collective bargaining within

its framework. They have engaged in a concerted plan of interference, restraint, or coercion against the organizational efforts of the welders.

"(b) The Congress of Industrial Organizations by its very make-up does not offer the welders an opportunity for organization into a representative group within its framework. They have also engaged in interference, restraint, or coercion against the organizational activities of the welders.

"(c) The National Labor Relations Board, while in some instances recognizing the welders as an appropriate bargaining unit, has in the cases involving the vast majority of the welders refused to designate them as an appropriate bargaining unit where the powerful American Federation of Labor crafts have an existing closed-shop contract.

"II. The American Federation of Labor and the Congress of Industrial Organizations have engaged in discriminations against the welders.

"B. The solution to the industrial unrest caused by the problems of the welders lies in granting to the welder industrial democracy which involves the recognition by government, industry, labor, and the public that—

"I. Welding is a craft and an appropriate unit for the purposes of collective bargaining.

"(a) This requires an abandonment once and for all of the unrealistic position as embodied in the infamous Wilson award.

"(b) The National Labor Relations Board should grant to the welders their legitimate rights under section 9 (b) for the National Labor Relations Act in the *Closed Shop cases*, which come before the Board by recognizing that the particular circumstances existing in these cases with respect to the position of the welders be granted their proper weight.

"II. The American Federation of Labor and the Congress of Industrial Organizations should cease and desist from interference, coercion, or restraint against the rights of self-organization and freedom of association among the welders.

"III. The welders of the United States should be granted recognition as an independent autonomous craft within the American Federation of Labor or the welders should be recognized as entitled to organize independently into a National Welders' Union outside the framework of the American Federation of Labor.

"A. The grievances of the welders are—

"I. They have been denied the right to organize and bargain collectively through representatives of their own choosing.

"(a) The American Federation of Labor has consistently refused to recognize the welders as a unit appropriate for the purposes of collective bargaining within its framework. They have engaged in a concerted plan of interference, restraint, or coercion against the organizational efforts of the welders."

The welders have attempted for many years to peacefully secure for themselves the right to bargain collectively through representatives of their own choosing within the American Federation of Labor, all of which efforts have been fruitless. They have lacked representation, and wholly unrepresentative groups, unfamiliar with their problems, have claimed to represent them.

Although today welding is one of the most vital of all processes in the steel industry, the first use commercially of welding in this country occurred between 1914 and 1916. The various American Federation of Labor crafts saw in this infant industry an opportunity to strengthen their own unions and immediately became involved in a jurisdictional squabble among themselves. In 1918 the then Secretary of Labor, Mr. William B. Wilson, appointed a Board of Arbitration to attempt to settle this question, which referred solely to repair work done upon railway equipment. The Board of Arbitration decided that welding could not be conceded to be a separate art or craft, based upon the unrealistic argument that "the exclusive use of a tool or process cannot be conceded to a single craft or group of workmen." It was this infamous Wilson award which has been seized upon by the American Federation of Labor as a justification to disperse the welders so that they would remain a disorganized, disunited, and important group scattered among its numerous crafts, using the principle of "divide and rule." The welder's position was never listened to.

I have 7 exhibits which I wish to offer for the record.

Acting Chairman MEAD. They may be entered.

(The documents referred to were marked "Exhibits Nos. 234 to 240" and are included in the appendix on pp. 4087-4091.)

Mr. BASOR (continuing to read statement) :

The consistent position of the American Federation of Labor (see exhibits 21 and 22)¹ even in the face of resolutions properly presented by organized American Federation of Labor welders was reaffirmed by the 1941 convention which met last October 13.

One of the most outrageous cases of coercion against the organizational activities of the welders is the case of Cornelius Cardno, of Tacoma, Wash., who was suspended by the Boilermakers Union of the American Federation of Labor metal trades, without trial on the charge of deliberately attempting to destroy the metal-trades crafts of the American Federation of Labor, because he had given all possible aid to the attempts of the welders to organize into a union. (See Exhibits 16 and 17.)²

A second outstanding case is that of David Basor, of Seattle, Wash., who, while being a welder representative within the American Federation of Labor and belonging to the machinists' union of the American Federation of Labor metal trades, was suspended without trial on the charge of promoting a dual organization, when he was merely obeying the orders of his membership, all members of the American Federation of Labor, who were protesting against the discriminations, to be mentioned hereinbelow, which were practiced by the American Federation of Labor. (See Exhibit 18.)³

L. L. Lanyk, of Long Beach, Calif., was discharged solely for "talking united welder to other men." (See Exhibit 19.)⁴

In Pascagoula, Miss., on October 12, 1941, the welders had to call off a meeting to be held at the city park due to threats of the boilermakers' union, American Federation of Labor. A similar meeting scheduled to be held on October 15 was also postponed at the request of the sheriff of Jackson County. On November 25, 1941, a room was engaged for a meeting of the welders to be held the following Sunday. The boilermakers' union threatened the members, and the business agent of the boilermakers said that he would see to it that the meeting was not held. Although the rent for the room was paid, the chief of police of the city took the keys and refused to allow the welders to have them. The meeting finally had to be held at the home of the sheriff. (See Exhibit 20.)⁵

I have here 22 exhibits to submit for the record.

(The documents referred to were marked "Exhibits Nos. 241 to 263" and are included in the appendix on pp. 4093-4105.)

Mr. BASOR (reading statement) :

Abundant evidence of these practices of the American Federation of Labor (see Exhibits 23-45)⁶ proved that the above practices are widespread. They further show that the American Federation of Labor have refused to work on jobs where these welders have engaged in legitimate trade-union activities. The result of this position where a closed-shop contract is in force is in effect to lock out the members of the welders' union. The unions have threatened even by violence, as evidenced particularly by Exhibit 20⁷ above, the right of self-organization among the welders.

The well-known and widespread policy of the American Federation of Labor of maintaining closed-shop contracts between itself and the employers and the yearly renewal of such contracts has resulted in depriving the welder employed in such a plant from ever organizing into a welders' union without also being a member of the American Federation of Labor Contracting Union.

The American Federation of Labor has consistently attempted to classify the welders' problem as an internal one thus coloring the welders' case as a jurisdictional problem to be settled by itself alone, whereas the problem is obviously not of that character at all but is broader than that being national in scope. After the meeting which was arranged by Mr. Hillman referred to earlier the metal trades department of the American Federation of Labor released an official statement dated November 18, 1941, clearly taking the position that they were attend-

¹ Committee Exhibits Nos. 239 and 240, appendix, p. 4091.

² Committee Exhibits Nos. 234 and 235, appendix, pp. 4087, 4088.

³ Committee Exhibit No. 236, appendix, p. 4089.

⁴ Committee Exhibit No. 237, appendix, p. 4090.

⁵ Committee Exhibit No. 238, appendix, p. 4090.

⁶ Committee Exhibits Nos. 241-263, appendix, pp. 4093-4105.

⁷ Committee Exhibit No. 238, appendix, p. 4090.

ing the meeting solely to hear the grievances of their welder members thus throwing a false light on the entire situation:

(b) The Congress of Industrial Organizations by its very make-up does not offer the welders an opportunity for organization into a representative group within its framework. They have also engaged in interference, restraint, or coercion against the organizational activities of the welders.

In an industrial union such as the Congress of Industrial Organizations there is no means whereby the welder's voice may be effectively heard due to its comprising all workers of any industry, whereas the welders' problems are craft in nature.

Practices similar to that referred to above to discourage the organization of the welders have occurred in the case of the Congress of Industrial Organizations.

I have here 4 exhibits to submit for the record.

Acting Chairman MEAD. They may be admitted.

(The documents referred to were marked "Exhibits Nos. 264 to 267" and are included in the appendix on pp. 4106-4107.)

Mr. BASOR (reading statement):

(c) The National Labor Relations Board, while in some instances recognizing the welders as an appropriate bargaining unit, has, in the cases involving the vast majority of the welders, refused to designate them as an appropriate bargaining unit where the powerful American Federation of Labor crafts have a closed-shop contract.

The National Labor Relations Board has, in direct opposition to the position of the Wilson award, recognized the welders as a unit appropriate for the purposes of bargaining collectively under section 9 (b) of the National Labor Relations Act (Douglas Aircraft, Board No. R. 1427, 16 N. L. R. B. 131; North American Aviation, Board No. R. 1058, 13 N. L. R. B. 107; United Aircraft Welders, 21 R. 1082).

However, in the vast majority of the cases, those in which the powerful American Federation of Labor unions have closed-shop contracts, and those which involve the vast majority of the welders, the Board has never recognized the welders as the appropriate bargaining unit. The Board treats each case as it comes up in actual controversy and puts great weight on the bargaining history of the appropriate unit. However, it is pointed out that where there is a closed-shop contract in the picture the Board has never carved out a special unit for the welders. In this manner the welders are denied their legitimate rights under section 9 (b) of the Wagner Act. The plight of the welder has never been accorded adequate weight.

II. The American Federation of Labor and the Congress of Industrial Organizations have engaged in discriminations against the welders.

In order for a welder to keep employed in one locality the American Federation of Labor ruling that welding comes under the jurisdiction of the particular craft in which the work is done forces him to belong to more than one union and thus he must pay multiple initiation fees, dues, assessments, and penalties, all of which has swollen the treasuries of the powerful national unions and has bled the welders. An instance of this situation is the case of Nick Bosko who has been a welder for 21 years and is now employed in Tacoma, Wash. He originally belonged to the Boilermakers, an American Federation of Labor union, and in the course of 2 years had to change jobs seven different times and in the course of these changes of jobs he had to join two other organizations in his home town. (See Exhibit 50.)¹

I wish to submit 2 exhibits for the record.

(The documents referred to were marked "Exhibits Nos. 268 and 269" and are included in the appendix on pp. 4107-4109.)

Mr. BASOR (reading statement):

The case of Peter M. Peterson, Kirkland, Wash., is even more striking. He had to belong to the following unions in order to practice his trade of welding: International Seaman's Union, American Federation of Labor; Longshoreman's Union, American Federation of Labor; National Maritime Union, Congress of Industrial Organizations; Blacksmiths' Union, Congress of Industrial Organiza-

¹ Committee Exhibit No. 268, appendix, p. 4107.

tions; and Boilermakers' Union, American Federation of Labor. (See Exhibit 51.)¹ Numerous other cases may be presented.

I offer for the record 25 exhibits.

(The documents referred to were marked "Exhibits Nos. 270 to 294" and are included in the appendix on pp. 4110-4140.)

Mr. BASOR (reading statement):

Even after payment by the welders of these assessments, receipts as evidence of such payment have been denied to the welder in order that they might not be able to expose the multiple membership card racket.

I submit for the record 28 exhibits.

(The documents referred to were marked "Exhibits Nos. 295 to 322" and are included in the appendix on pp. 4140-4157.)

Mr. BASOR (reading statement):

Local unions have denied to the welders who are traveling craftsmen, in many cases, transfer privileges from one local of the same union in one locality to a local of the same union in another locality, which practice makes it impossible for the transient welder to practice his vocation without becoming a member of each of the local unions. Other local unions have denied transfer privileges unless special permit fees were paid. (See Exhibits 51, 52, 69, 70, 71, and 85.)²

Neither the American Federation of Labor nor the Congress of Industrial Organizations has established a central examining and license bureau, with the result that regardless of his qualifications the welder must take another examination and test on each subsequent job. This results in loss of time and is a definite economic waste.

B. The solution to the industrial unrest caused by the problems of the welders lies in granting to the welder industrial democracy which involves the recognition by government, industry, labor, and the public that—

I. Welding is a craft and an appropriate unit for the purposes of collective bargaining.

(a) This requires an abandonment once and for all of the unrealistic position as embodied in the infamous "Wilson Award."

The recognition by the National Labor Relations Board that in certain cases the welders are an appropriate unit for collective bargaining clearly should end for all time the position of the "Wilson award." It is high time that this fact be recognized.

(b) The National Labor Relations Board should grant to the welders their legitimate rights under section 9 (b) of the National Labor Relations Act in the "closed-shop cases" which come before it by recognizing that the particular circumstances existing in these cases with respect to the position of the welders be granted their proper weight.

The recognition of the welders' union in the aircraft cases, cited earlier, indicates that the issue is one squarely of the closed-shop situation. There is nothing in the Wagner Act which requires the position so consistently held by the Board in numerous cases that the presence of a closed-shop contract precludes the recognition of a union such as the welders' under the particular circumstances surrounding their situation.

II. The American Federation of Labor and the Congress of Industrial Organizations should cease and desist from interference, coercion, or restraint against the rights of self-organization and freedom of association among the welders.

The spirit behind the Wagner Act is that employers should not interfere with the rights of the workers to organize and bargain collectively. This is our declared national policy. The powerful labor organizations should not do that which the law has declared the employer shall not do.

III. The welders of the United States should be granted recognition as an independent, autonomous craft within the American Federation of Labor or the welders should be recognized as entitled to organize independently into a national welders' union outside the framework of the American Federation of Labor.

¹ Committee Exhibit No. 269, appendix, p. 4109.

² Committee Exhibits Nos. 269, p. 4109; 270, p. 4110; 287-289, pp. 4123-4124; and 303, p. 4146.

This 25-year aim of the welders is the ultimate end sought by the rank-and-file welder. The facts stated hereinabove point inevitably to self-organization as the solution to the welders' problems.

The recognition by the National Labor Relations Board in all cases, even where a closed-shop contract is in force, that welding is an appropriate unit for the purposes of collective bargaining under section 9 (b) of the Wagner Act; the cessation of the American Federation of Labor and the Congress of Industrial Organizations' interference with the organizational activities of the welders; and the organization of the welders into either an autonomous, independent craft within the American Federation of Labor or into a national welders' union outside the framework of the American Federation of Labor would eliminate the abuses and discriminations to which the welders are now subjected and would result in the maintenance of continuity of production and removal of the causes of the difficulties which have threatened to impede the national-defense effort.

That is the brief, Mr. Chairman.

Acting Chairman MEAD. Have you completed reading your brief?

Mr. BASOR. Yes, sir.

Acting Chairman MEAD. I wonder if you would tell the committee when the welders came into prominence in industry.

Mr. BASOR. The welders came into prominence in industry during the last World War, brought about by the sabotaging efforts of Germany on their great liners. Welding was used to repair those engines and that equipment to such advantage that from that day to this it has never ceased and has improved constantly.

Acting Chairman MEAD. I understand that the welders were more or less an offshoot of what might be called the riveters, the boilermakers, that preceded the welders.

Mr. BASOR. No; not entirely, because in many cases there was no method of fabrication where riveting could be used where welding is used today.

Acting Chairman MEAD. Well, I just meant in the beginning, the very beginning, the original welders were taken from either riveters or boilermakers, before welders were trained.

Mr. BASOR. No; they were taken originally from men who were interested in it sufficiently to try to learn to do it themselves. Some of these men might have been riveters, some of them might have been boilermakers, machinists, and so forth, but it was the question of self-interest that brought welding to the front.¹

Acting Chairman MEAD. How long does it take to train a man to become a fairly good welder?

Mr. BASOR. It requires a minimum of 5 years for a man to become a real welder. He can be trained to do one of the operations in approximately 1 year's time.

Acting Chairman MEAD. Does it require the use of numerous tools, considerable equipment?

Mr. BASOR. Contrary to popular opinion, the welder's tool is the same on every job. It is the only craft, to my knowledge today, in which only certain tools are used and those tools are used on every job, the same.

Acting Chairman MEAD. What is the reason given by the C. I. O. for denying the welders a charter?

¹ Mr. Basor subsequently informed the committee that—

"Further check on this question reveals that the employees themselves ask their most progressive workmen to study the process, and that the American Federation of Labor metal trades unions actually placed a boycott on the process, the same as has been done in later years by the painters on the air-spray guns."

Mr. BASOR. The C. I. O. is not capable, under its present structure, of granting a craft charter.

Acting Chairman MEAD. Will you explain the reason to the committee?

Mr. BASOR. I would have to use the words "vertical" and "horizontal." However, I will explain this. A. F. of L. crafts are vertical. That means that they are occupational organizations. The C. I. O. are horizontal crafts, which is an industrial occupation. In other words, C. I. O. takes in a whole plant in itself. A. F. of L. takes in the occupations in the plant and places them under one union, and the C. I. O. places the whole plant under one union. Therefore, there is no place in the C. I. O. for craft organization of welders.

Acting Chairman MEAD. And do you claim to be a craft organization?

Mr. BASOR. It is the finest craft organization today.

Acting Chairman MEAD. And you make that claim when applying for entrance into any of these organizations?

Mr. BASOR. That is correct.

Acting Chairman MEAD. What answer do you receive from the A. F. of L.?

Mr. BASOR. The A. F. of L. takes the position, based on the Wilson award, that welding is a process and that the torch and the stinger are tools of the trade to be used by the journeyman upon whose jurisdiction the work is done.

Acting Chairman MEAD. And what do they mean by the journeyman?

Mr. BASOR. Presumably they mean the journeyman—I will take a specific instance. We have a machinist who runs a lathe. That machinist is supposed to be able to do welding also. But common practice is that that machinist doesn't want any part of the welding because welding in itself, in its ramifications, is so large that it takes as long to learn it as it does to learn to run that lathe.

Acting Chairman MEAD. So that in reality they deny that welding by itself and alone is a craft organization?

Mr. BASOR. That is correct. They deny it even in the face of the fact that major companies spend thousands and hundreds of thousands of dollars developing the science of welding, that metals today are bought on the basis of whether they can or cannot be welded, and that we have in this country a group of professors and scientific men known as the American Welding Society, so I believe that it is the finest craft in existence.

Acting Chairman MEAD. So you are telling the committee that you can't join the A. F. of L. because they hold that you are not a craft?

Mr. BASOR. That is correct.

Acting Chairman MEAD. And that you can't join the C. I. O. because they do not take craft organizations?

Mr. BASOR. That is correct.

Senator BALL. That is a new one.

Acting Chairman MEAD. Well, they don't take old craft organizations, either.

Senator BALL. Not the C. I. O. I was thinking of the A. F. of L.

Acting Chairman MEAD. In the C. I. O. you are denied a charter because of the fact that you and your people insist that you are a craft organization. They would take you if you would join along with the

other employees of a given plant in this horizontal organization which they believe in.

Mr. BASOR. That is correct.

Acting Chairman MEAD. You could join the A. F. of L. too if you would merge with a craft organization, thereby losing your own identity.

Mr. BASOR. That is correct.

Acting Chairman MEAD. And the craft would be one of several crafts, would you say, that you would have to merge with?

Mr. BASOR. It would be 1 of 157 different crafts. I should say not "1 of," but "1 of" 157. We have counted as high as 27 different crafts to which welders have to belong now under the A. F. of L. structure.

Acting Chairman MEAD. Well, would it work a hardship on a welder if he became an independent craftsman's organization of his own and found that as such he was denied work where part-time boilermaking was available and part-time machinist work was available, and he being only a welder could only work when a welder was needed?

Mr. BASOR. There might be specific instances of such, but generally it wouldn't hurt the welder one bit.

Senator BALL. When a welder has to join the boilermakers' union, for instance, does he have to take an examination on the boilermaking trade?

Mr. BASOR. No; he takes only an examination to weld.

Senator BALL. He does?

Mr. BASOR. That is right.

Senator BALL. So they do recognize it as a separate craft then, actually.

Mr. BASOR. They presumably recognize that the welder is a trade itself, but do not wish to release it from their craft.

Senator BALL. Is that true of the others, the blacksmiths and machinists?

Mr. BASOR. That is right.

Senator BALL. When you go into the blacksmiths' union you don't necessarily have to be a topnotch blacksmith, you go in as a welder?

Mr. BASOR. That is right.

Senator BALL. Similarly, I take it, the blacksmiths in the blacksmiths' union or the machinists in the machinists' union or the boilermakers in the boilermakers' union are not required to know welding.

Mr. BASOR. In most instances they are not. In fact, it is only where they themselves have taken it upon themselves to learn to do welding that they become welders. They are not required to do it according to their trade at all.

Acting Chairman MEAD. I want to say for the record that the primary interest of this committee hearing you this morning is the welfare of the national-defense program. Otherwise, so far as this committee is concerned, we would seek no jurisdiction or consideration of your problem; we would leave you to settle your difficulties out in the industrial field among the various labor groups that you have mentioned. But in view of the fact that the welders might hold up a very substantial portion of the defense effort should they become engaged in strike or lockout, it recommends to the committee the consideration of this case and the committee expresses the hope that it will be ironed out so that there will be no stoppage of the defense program.

Mr. BASOR. Thank you.

Acting Chairman MEAD. Have any other members of the committee any questions to ask?

Senator BALL. Mr. Chairman, it strikes me that in this whole A. F. of L. crafts set-up, you need, I think, craft organizations, but you are bound to have disputes like this rising right along as new processes develop and new trades develop. The answer probably would be an over-all metal-trades union with sections and a card in one section entitles you to work on any job where the Metal Trades Union have the contract.

Acting Chairman MEAD. You don't believe that the break-down into too many separate crafts will solve the problem because of the possibility of added new crafts that do not cover a wide enough variety of work to keep the worker constantly engaged?

Senator BALL. That is right. I think you are bound to run into trouble on that, and then, as the witness has stated, you get these powerful craft unions fighting to keep these members in their own unions so they would draw their dues, whereas if they are all in one metal-trades union, it seems to me it would be very simple to work out a system of allocation of dues, whatever he happens to be doing.

Senator KILGORE. May I ask a question there? One of your troubles, isn't it, is the fact that welding, both electrical and oxyacetylene, is used as a side line in a whole lot of industries also, particularly in small industries, the small boiler shops. The boilermaker will go in and weld a few tubes, in the small machine shop the machinist will weld a shaft together, and in a garage a man will weld some stuff in a cylinder to build it up. At some places they couldn't use a full-time welder. A lot of crafts have taken up welding as a side line. One little phase of it happens to fit their shop. Isn't that one of the oppositions you run into?

Mr. BASOR. That happens to be the very basis on which the A. F. of L. says that welding is not a craft. However, they fail to tell you at the same time that in these selfsame small shops the machinist does the pipe fitting; he also does the blacksmithing, and he does the rest of the metal-trades work along with it, so there is no argument in itself whatsoever.

Senator KILGORE. But the question was, Isn't that one of the arguments?

Mr. BASOR. That is an argument that they present; yes, sir.

May I say this for the committee. A few years back the position which was stated here, we will say 20 years ago, is correct, but today manufacturers do not go in for general mechanics any more that can do all-round work. They find that it is better for them to buy either prefabricated material and assemble it, or they get specialists to do their work, and by obtaining those specialists to do their work, then they set a portion of their shop apart as a welding shop in which everything goes to be welded, and a welder remains there constantly, and it is very seldom, in fact, today I don't know of any machine shop unless it is the size of a real small single-lathe shop, wherein the journeyman is capable of doing welding, too. And the same thing, of course, holds true for the boilermakers, decidedly. Of course, there is one thing of interest to point out, and that is that the establishment of a welders' craft would draw from these various A. F. of L.

organizations a considerable membership which they do not wish to lose.

If the committee pleases, there are other witnesses here. Cornelius Cardno is a welder and has been following the welding game ever since its beginning, and he can probably give you a better picture than I can on lots of things.

Acting Chairman MEAD. Well, it is agreeable to the committee; you may summon the witness that you just mentioned.

Mr. BASOR. Brother Cardno.

Acting Chairman MEAD. You will be sworn. Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. CARDNO. I do.

TESTIMONY OF CORNELIUS CARDNO, SPECIAL WELDER REPRESENTATIVE, BREMERTON, WASH., NAVY YARD

Acting Chairman MEAD. Will you give your full name and the title of your position in the union to the stenographer?

Mr. CARDNO. Cornelius Cardno, special representative sent here from Bremerton, Wash., Navy Yard.

Acting Chairman MEAD. How long have you been employed in the navy yard?

Mr. CARDNO. Approximately 2 years.

Acting Chairman MEAD. Two years, just recently.

Mr. CARDNO. Yes.

Acting Chairman MEAD. And you are now representing the welders of the navy yard?

Mr. CARDNO. Of the navy yard.

Acting Chairman MEAD. Have you been a welder yourself long?

Mr. CARDNO. Yes. I first started in with the welding in 1912.

Acting Chairman MEAD. 1912?

Mr. CARDNO. Yes.

Acting Chairman MEAD. When did welding start, back in 1912?

Mr. CARDNO. Well, the commercial production of gases for acetylene welding wasn't available in this country until 1907. At that time the Linde Air Products Co. began to put their gases on the market so that they were available for commercial application.

Acting Chairman MEAD. Go ahead, you may proceed with any statement you may want to make.

Mr. CARDNO. Since my first contact with welding, rather at the time that I first contacted the tools, my method of learning to weld was the simple process of the master mechanic coming into the shop—I was working at the Rustin Smelter at that time, in Tacoma, Wash. He gave us a book which told us all about how to proceed with welding. He said the tools would be there in a day or two and we should take the book home and study it. We had heard of the process but we had never seen it up to that time. That is a fairly good picture of how we started to do welding. I was a boilermaker at the Rustin Smelter at that time, and we were required to change our methods of repairing the water jackets that were used in the furnaces of the Rustin Smelter. The old method of repairing these furnace water jackets was a very lengthy one, and a great deal of labor was involved, and the master

mechanic visioning the application of welding could see that he was going to greatly reduce that labor charge in repairing the water jackets of the furnace. That situation, of course, caused me to become very much more interested in welding than I had been prior to that time, and we succeeded, after a great deal of difficulty, in making it applicable to the job that was to be done then.

However, we found that it had a much wider range of application than merely repairing water jackets, and we were very soon repairing a lot of the heavy equipment of the smelter where we could master the detail and procedure required to bring out satisfactory repair.

From that position I became interested in welding. I had been in former times required to go on strike against the application of new tools in industry. In 1908, I believe, if I remember—1907, I believe it was, the fall of 1907, we were called out on strike to resist the application of the pneumatic tools to the railroad shops where we were working. I personally didn't feel that that was the proper procedure for us to follow, and finding this new tool coming along, I tried to apply myself to become efficient in its use, because I recognized its efficiency and economy in the repair of the material that we were working with in the smelter, and could also see that it had wide application in the future in commercial productive programs, and consequently, becoming interested, I applied myself to learn the whole process as nearly as it was within my range of ability to do so. When the Rustin job was done and we had rebuilt that smelter and put it in shape, there was a lay-off of the men that were used at that time, and that put me into a machine shop. I went into a machine shop, not very well trained in welding, but knowing a great deal more than the people around me knew of it, and the manager of that plant was desirous of applying the methods to his work, which consisted mostly of building up and repairing pulleys and gear wheels and building up shafts that were worn in the sawmills, and so on, and much of that work was new to me because I had started in simply using it on milled steel and the work in that shop took in a much wider range of application.

I was required to take a permit out in that shop because the A. F. of L. in their 1912 convention declared that acetylene welding was a tool and the acetylene torch was a tool and acetylene welding was a process that could not come under the trade jurisdiction of any one trade. However, I wasn't particularly resentful at that time because everything was more or less in a stage of development. A little time after that, about 2 years later, I was again out of employment and I took a job welding pipe, and it was required of me that I would take another permit out from the pipe fitters. Of course, I began to get a little annoyed at that because for 12 years prior to these things happening I had been actively a member of the one union, had paid my dues faithfully, and considered myself entitled to union recognition in any plant that I would go into. However, that wasn't allowed, and under the attitude of the American Federation of Labor there was a continual change of affiliations through the years.

Knowing, as I did, that men couldn't successfully make any progress with the tools that they were using unless they were grouped together for the promotion and advancement of these tools, I found a continual opposition from the people that I was compelled to affiliate with. I was told, among other things, that I would become sterile as a man; I was

told that I would go blind; and above all else I was told that I was destroying the trades by handling these tools. Naturally, one can easily understand if that was the attitude of these trades that they were not promotional of the thing that I wanted to promote. I wasn't concerned in the old methods; I was concerned in the new methods. I had lost 3 months of time on a strike trying to hold back old methods, and I made my mind up that that kind of program was not proper, it wasn't logical, it wasn't in any way something that I should be a party to; and I insisted on doing welding and applying welding wherever I could find an opportunity to do so.

The result of the opposition was that I was put off a job at the Marine Works, Winslow, because I was a welder, by the boilermakers' craft.

Senator BALL. You had been a boilermaker originally?

Mr. CARDNO. Yes. I had been an active boilermaker. I knew well the business agent that came over there, Mr. Joseph Reed. He is dead now. I knew him well, and I had served in the capacities of an active member in that union to promote the union and had succeeded in organizing a number of men on the Union Pacific at La Grande, Oreg., for the boilermakers prior to that time. So I was definitely not one of those men that they recognized as simply what we call a card man. I was actively a union member. If I didn't like the thing that was being done, I would say so. I still have that capacity left, although I am often suppressed in saying so. And from that attitude of opposition that I found in the trades that I was dealing with, I definitely advocated that the welders should have their own organization. In lots of places I was prohibited from working on a particular job because I would perhaps have a pipe fitter's card or a boilermaker's card when the work was some other trade, and that attitude is still held up until this recent time they have been forced away from it because of the threat of the welder to succeed in forming his own organization.

Now, I had learned the history of the American Federation of Labor fairly thoroughly in the years. I knew its background; I knew why it was formed. It grew out of the objection of the trades to the system of organization known back in 1880 as the Knights of Labor. Samuel Gompers toured this country in the interests of the American Federation of Labor trade idea, and declared, on numerous occasions that "that trade or occupation that is not organized for its own protection and promotion will be reduced to beggary"; and if that was the foundation upon which the American Federation of Labor was built, I felt that this new problem would certainly have to have its own autonomy to promote its own interest or we would be continually hindered, as has been the case down through the years.

Many of the officers, to my personal knowledge, of these trade-unions have deliberately attempted to force by threat of action detrimental to the employer, the abolishment of the welding processes, and the substitution again of the older methods. Today they are not so able to make these threats because of the advancement of welding against all the forces that were trying to hold it back. The American Welding Society has done a great deal to promote welding, and the American Society is very definitely in favor of the welders being grouped as a welders' organization because, amongst ourselves, we can spread the knowledge of welding; amongst ourselves we can promote those things

that will help our industry, our particular part in industry. Without it we are continually subject to the present program that has become so obnoxious; where men have been required to pay hundreds of dollars a year where they would come under the influence and had to work under that influence in closed shops and consequently had to become members of different unions, the welder has consequently, as a result of that, never been able to group his strength and actively promote an efficiency within the organization, as has been pointed out. We are compelled, without any assistance from the union, to take tests on every job we go on. The employer has a right to know what the man can do, and welding is of that nature that unless he knows what the man can do, his visual inspection of the work will not reveal any very real weaknesses in it. If he doesn't know what the man can do, the man can put a job up that will be of no value and may cause him a great deal of trouble.

We have had very many instances of that nature where because an inferior welder was permitted, prior to the testing of him, to go ahead and do a job, it was found after it was put in place at great expense that it wasn't what they wanted and they had to tear it out and have it done right.

We are interested in the wiping out of these things and the definite education of the men so that they can do their work efficiently, and in the present program of national defense we feel that this is a time when we must be able to control these things if we are going to make the progress we should.

When you stop to consider that the men are being discriminated against and forced out of this union into that union, and then forced under a jurisdiction that in no case has any sympathy with them in their work, it becomes a question in a man's mind, Why does this exist in American industry. Why is it that a law is set up in which we are protected from the employer but we are not protected from the man who has an adverse attitude toward us and has a strong union behind him by which he can enforce that attitude, when men are compelled to pay, as I know they have paid, into four different unions to continue working at the trade. They will tell you emphatically that if they are going to work they must have affiliation in this trade and that trade and the other trade, if they are going to stay in the community. So my interests have been the promotion of the idea very definitely that the welder is entitled to and must have the union of representation of his own choosing.

I was discharged from my work in the ship industry in Tacoma, Wash., on December 16, 1940, by a special order of the international president in which he sent this information to the yard where I was employed, and in which he gives his position as a Hitler in the labor movement. He has it worked into the constitution so that he has that power. Here is what he said:

In accordance with the authority vested in the international president in article IV, section 1, of the international constitutional bylaws, lines 9-10, inclusive, he shall have the direction and supervision of all subordinate and district lodges with power to suspend their individual members or lodges when in his judgment it is for the best interests of our international brotherhood.

And because of that position he required that I be discharged from the industry wherein I was employed, against the wishes of my foreman, against the wishes of the manager of the plant, who came to me

and asked me in the rough language that we use, "What in hell's the matter now?" There you have it. I don't know anything else. He doesn't state a reason for his attitude. Later I asked him for that reason and his answer was that I had for years attempted to wreck the metal trades and consequently he felt justified in requiring me to be discharged from my employment in the shipyard in Tacoma.

The matter was taken up by the local union, who have known me for 25 years, willing and anxious to put me back to work, and they were informed by their international president that the matter was something they had nothing to do with; that he would handle that and would give no reason to the local organization for his attitude toward me. That is not an isolated case, men. They are being discriminated against in the shipyards today for the very same reason. I have seen a number of those letters, the identical letter, with only the change of the man's name on top, sent to men in my part of the country.

I think there is a number of them. They are showing the same attitude toward these men, not of 1940 but of November 1941, in which the men are deliberately cut off from participation in the defense program because they have it under control and the men consequently will have to look for work somewhere else. You can readily understand that those of us who have decided that that is our right, that we have a right to organize according to our choice, that we have a right to promote our interests, that we have a right to work to the best interests of the defense program, are resentful of that attitude and I may say with all sincerity that the information that we get continually from those points is that the men are becoming more and more restive under that thing, and are looking for some help from our visit, our stay here in Washington, to try to get that thing ironed out. It must be ironed out.

Senator BALL. Mr. Cardno, I notice he says in his letter that you have a right to appeal to the executive council and then to the next convention of the International Boilermakers. How would that appeal work? How often does the executive council meet, and where would you have had to go to appeal?

Mr. CARDNO. I think he states in that letter that his action is with the consent of the executive council.

Senator BALL. Yes.

Mr. CARDNO. I felt in view of that position if he had done something within his power and the executive council had agreed to it that I would be wasting my money to travel to Kansas City from the Pacific coast and put that same question before them and ask them for consideration, so I wrote directly to him and pointed out that would be an expensive procedure for me and in the name of decency would he give me a trial in my own district, amongst the members of his organization who were capable of judging the matter better than the executive council, because they have known me for 25 years.

Senator BALL. He turned you down?

Mr. CARDNO. He answered me very emphatically that he wouldn't do anything of the kind. Now, the convention of that organization was put off this last September for 2 years, so of what value would an appeal in those premises be to anyone of us that are thus discriminated against?

Senator BALL. How long has Franklin been president of the boilermakers?

Mr. CARDNO. About 35 years.

Senator BALL. How do they hold their elections?

Mr. CARDNO. In convention, just when they hold a convention; they don't hold a convention regularly; they are supposed to hold it, but they don't. They have put it off again this last year, and they hadn't a convention for 7 years prior to 1937.

Senator BALL. Who calls the convention; the executive council?

Mr. CARDNO. The executive council meets on the call of the president at any time.

Senator BALL. But who calls the convention? Who calls your international convention?

Mr. CARDNO. The international office, I presume. They stated when they put the convention off that they had put out a referendum asking the membership if they would agree to it. However, I never saw any of the referendum ballots or anything of that kind, but I know that was the statement made in the journal.

Senator BALL. They don't have an election like the typos, where they send ballots to every individual member?

Mr. CARDNO. There is some referendum in there, but it is of a very limited character and controlled entirely by the international office, whether they will or not.

Senator BALL. What is the final answer to this thing? After all, even if you set up a separate welders' union, industry is developing new processes, new crafts right along. Aren't you going to run up against this thing inevitably again? It is a recurring dispute under the present set-up of the craft unions in the A. F. L. Maybe you need something rather fundamental in the way of reorganization there. I would like the craft union idea and I think it fits in certain places but these jurisdictional disputes are becoming more and more frequent among the crafts, particularly in the building trades where the plasterers and cement finishers get into a row.

Mr. CARDNO. The real trouble there is that the American Federation of Labor gives complete autonomy to their international unions and they have within themselves no ability to force any question. You don't have to in becoming an international union, becoming affiliated with the International Federation of Labor, make it subject to any change of jurisdiction without a great deal of trouble having to be entered into by the executive council of the American Federation of Labor and frequently they find themselves unable to enforce jurisdictions that they have granted because affiliation with the American Federation of Labor is entirely voluntary.

Senator BALL. Doesn't give the A. F. L. any power?

Mr. CARDNO. No; has no power.

Senator BALL. As for instance when the typos went into the C. I. O., dropped out of the A. F. L.?

Mr. CARDNO. At the last convention the machinists asked for the executive council of the American Federation of Labor to exercise the power inherent in it to order the carpenters to cease and desist from encroaching on their established jurisdiction and they were unable to do so. That is where the weakness of the jurisdictional situation comes.

Acting Chairman MEAD. The committee would be inclined now to have some testimony from the other side of the case, and of course the committee would appreciate efforts that you are putting forth, the efforts that we hope will be put forth by the C. I. O. and A. F. L. to settle this matter at least temporarily for the duration of the emergency. The committee cannot offer its services as a mediation board. It can only air the controversy and because of the importance of the defense program express the hope that you will get together. Right now I would like to call Mr. Brown, president of the International Brotherhood of Electrical Workers of the A. F. L.

Mr. WEGENER. Mr. Brown isn't here. My name is Wegener and I represent Mr. Brown.

Acting Chairman MEAD. All right, Mr. Wegener, you will answer the purposes of the committee. Will you be sworn? Do you solemnly swear you will tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. WEGENER. I do.

TESTIMONY OF A. L. WEGENER, ASSISTANT TO THE INTERNATIONAL PRESIDENT, INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS

Acting Chairman MEAD. Mr. Wegener, will you give the title of your position and your full name?

Mr. WEGENER. A. L. Wegener, assistant to the international president, International Brotherhood of Electrical Workers.

Acting Chairman MEAD. You may proceed, Mr. Wegener, with anything you may have to say in rebuttal or otherwise of what you have heard.

Mr. WEGENER. Well, Mr. Chairman, at the present time I am not entirely familiar with what this hearing is all about, and, therefore, I have no rebuttal statements to make until possibly some time later on.

Acting Chairman MEAD. The committee's interest, as I explained before, and as given to me by the representative of the chairman, was that the matter was important enough to be aired here because of the work stoppages that have been resulted by the recurrence of controversy between the welders and various C. I. O. and A. F. of L. units. It is hoped that as a result of the airing of the controversy a plan might be progressed to the end that some rules or principles will be adopted to avert work stoppages from now at least until the end of the emergency. We are in hopes you might offer some helpful suggestions along that line or may tell us what the A. F. of L. thinks about the separate identity of the welders' organization.

Mr. WEGENER. Well, I am not prepared at the moment to make any statements, Mr. Chairman.

Acting Chairman MEAD. All right, Mr. Wegener, if you care to prepare a statement at a later date you will take it up with representatives of our committee. Perhaps after you read the testimony and if arrangements can be made we will be glad to hear you. I call Mr. Eric Peterson, general vice president of the National Association of Machinists, Mr. Peterson. Please be sworn. Do you solemnly

swear you will tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. PETERSON. I do.

Acting Chairman MEAD. Go ahead, Mr. Peterson.

TESTIMONY OF ERIC PETERSON, GENERAL VICE PRESIDENT OF THE NATIONAL ASSOCIATION OF MACHINISTS

Mr. PETERSON. Like Mr. Wegener, I am not really familiar with what the committee is endeavoring to develop here this morning. We were advised by the general counsel that it would be helpful if one of our representatives could be here. However, I shall be glad to answer any questions that members of the committee may have in mind that have a bearing on the situation that has been discussed at length this morning by representatives of the welders' group.

Mr. FULTON. Well, the committee was simply interested in, as Senator Mead said, giving both sides, for neither of whom the committee held a brief, an opportunity to state the problems and proposed solutions so that there would not be a strike which presumably either party would have the right in ordinary times to have. For example, the A. F. of L. would have a perfect right to insist on any set-up it saw fit, and similarly the welders would have a perfect right to insist on theirs, and those situations in ordinary times would probably be settled by a knock-down battle which would culminate in strikes and other things, and the more powerful group would have the right to win.

In this particular instance either group would shut down, say, the shipyards. The committee was interested in trying to find out what the problems were, what the possible solutions would be, and whether it isn't possible to find some middle ground, not which the committee would ask you to undertake but which you and all of you together could work out yourselves. It was for that reason we desired to hear from the various federation unions as to what they thought about the matter, or what they suggested should be done.

Mr. PETERSON. As a representative of the International Association of Machinists I am hardly qualified to speak for the American Federation of Labor or the Metal Trades Department.

Mr. FULTON. That is why the several different international crafts were offered an opportunity to speak for themselves, because we found that ordinarily the Metal Trades Department itself disclaims any power to bind the internationals, and it was simply to give you an opportunity to state whatever your position might be in these matters, either that there was no solution or that you have a solution worked out, or that you are about to work one out, or whatever the fact may be.

Mr. PETERSON. I think it might interest the committee to learn that in the International Association of Machinists we haven't had much of a problem so far as welders are concerned. In our laws we provide for the universal transfer of members from other A. F. L. organizations and to our knowledge at the general office there have been very few complaints, if any, coming in from members of our organization or other A. F. L. organizations over the fact that they have been required to pay additional initiation fees and permit fees to work in plants where our organization has an agreement with employers.

As I understood some of the statements made by Mr. Basor he indicts the A. F. L., C. I. O., and National Labor Relations Board for having deprived welders of the right to be recognized as proper bargaining units. I would like to point out that in our organization, where we have members affiliated that follow welding work, they have the same right of presenting their problems in local lodges, and grand lodge conventions, as other members of our organization. We take the position that the structure of our organization affords full opportunity for a member, whether he follows welding all of the time or part of the time, to get not only fair representation but the full benefits of the organization, so I just want to again stress the point that we don't have any particular problem in our organization so far as welders are concerned.

I might add to that statement that I am somewhat familiar with welding, having worked at it in the railroad industry. I have on some occasions assisted in instructing our apprentices in the rudiments of welding. I think it will interest the committee to learn that where we have apprenticeship programs established with employers, especially in the railroad industry, we insist that an apprentice be given an opportunity before he completes his apprenticeship to learn something about the welding processes. I am not here to offer any solution for the problem that has been presented to the committee by the welders' representatives, but I think the committee might be interested in the statement that was released by the international presidents of unions having welder members. I have one copy with me and should like to read it for the benefit of the record, as it presents the viewpoints, and I think the policy, of the organizations known as the metal trades in the American Federation of Labor.

Acting Chairman HERRING. There are so few members of the committee here I think you might as well offer it for the record and perhaps more members will get it that way than by having you read it to just a couple of us here, unless you have some statement to make. It seems to me that a case has been stated here that ought to interest you and the other members of the American Federation of Labor to do more than merely come here and say you have nothing to say.

(The statement referred to was marked "Exhibit No. 323" and is included in the appendix on p. 4158.)

Mr. PETERSON. I should like to learn from the committee member if he has any particular matter that he thinks we can be helpful on. We know a problem has been created by the desires of men who follow what they call the welding trade to have an organization of their own. We know that they have applied to the A. F. L. for a charter as a national organization. We know that that application has been rejected. We also are aware of the fact that because of that rejection welders decided to stage a demonstration that possibly would throw the spotlight of publicity on what they call their problem, and in that manner bring about a change in the position of the A. F. L., but when it comes to deciding what the policy is going to continue to be of the A. F. L. I say that I, as an officer of the International Association of Machinists am neither authorized nor qualified to state that policy.

That is determined in conventions of the A. F. L. by the delegates who comprise the convention.

Acting Chairman HERRING. Is it your opinion that your craft would object to the welders organizing as a separate craft within the A. F. L.?

Mr. PETERSON. Yes; our organization has supported the position of the A. F. L. in denying to groups of welders an international charter. It is our contention that there is no need for such an organization to be established because welders in our organization are privileged to get full representation throughout the structure of our organization in the handling of any problem that may confront them in either a local lodge, a district lodge, or those coming up at conventions. I might point out to the committee that the welding problem in the railroad industry has been fairly well solved in that on most railroads welders hold membership in the shop-craft organizations, comprised of the machinists, boilermakers, blacksmiths, electrical workers, and sheet-metal workers. Welding has been pooled in a large number of railroad shops and it isn't necessary for men who follow welding exclusively to hold membership in more than one organization.

I might also add that in the railroad industry a welder as a rule is a craftsman in that he has been trained either as a boilermaker, blacksmith, machinist, or sheet-metal worker. Welding is not considered a trade in the railroad industry. It is part of a trade. There is welding that is directly connected with machinists' work, welding directly connected with blacksmiths' work, boilermakers' work, electrical workers' work, and so on, so in the railroad industry we find that there isn't much of a problem as far as welding is concerned. We have solved it in my opinion in a manner that would lead me to believe that the same solution could possibly be applied in other industries.

I think maybe I should make a statement about welding processes, although I don't claim to qualify as an expert on welding. We know that employers are specializing even when it comes to welding. We know that there are operators in mass-production industries who do spot welding and flash welding, where they operate huge machines that weld bodies, automobile bodies, at one throw of an electric switch. We know that there is welding in the jewelry industry where girls use the acetylene torch in welding processes on jewelry. We know that in contract shops welders are also qualified craftsmen. They are capable of doing machinists' work when it comes to operating machine tools or erecting machinery or assembling machinery, and also welding.

We know that in some industries they have men who use nothing but the electric-arc process. They are not familiar with acetylene welding and possibly could not qualify when it comes to welding alloys. We know there are men that specialize in what we call high-pressure welding, welding of tanks and containers that have to withstand pressures running up as high as 3,000 pounds to the square inch. We know there are men who are confined to just building up processes, where they build up worn parts. In other words, employers have specialized even in the welding field until we find that there are a very limited number of welders who can be said to be general all-around welders, men who can qualify where they have to pass examinations and do what is called X-ray work, so, in our opinion, the welding problem isn't as complicated as it has been presented here, and doesn't

constitute a problem that should continue to interrupt work in the defense industries.

I gathered the impression here that representatives of the welders were more concerned in establishing an independent organization than they were in improving conditions and establishing better wage rates for those who follow the welding work. In that connection I might point out that in the railroad industry, again using that as an example, we have established a differential for men who do welding. That differential is 5 cents an hour over the rate set for journeymen of various crafts. A man may weld for 1 hour during the day or 2 or 3 hours or more, and he gets 5 cents an hour above the rate for journeymen in the various crafts while he is on that work.

If he is employed continually on welding, of course, he gets that differential all of the time that he is performing that work, so again I say that so far as the International Association of Machinists is concerned, we believe that the welding problem is one that has been very much exaggerated, one that has been solved fairly satisfactorily in the railroad industry, and we believe that if the men who are interested in keeping defense production going will sit down with representatives of the organizations that they have held membership in or may be members of yet, that this problem can be worked out.

Acting Chairman HERRING. I think it has been correctly stated that the interest of this committee is in the defense program and as you know, by experience in welding, there have been great advances made just recently and in the defense program. I think even as late as yesterday it was called to the attention of the press in New York by Mr. Knudsen of the advantages that could be gained by use of spot welding and other types of welding in the defense program, and I assume that is the interest of this committee.

Mr. PETERSON. I think that is generally recognized by all of the organizations comprising the metal trades department of the A. F. L. I don't presume to know what the figures are but I would say that at the present time the boilermakers organization represents a larger number of welders in the ship building industry than any other organization, and I assume that the committee has asked a representative of that organization to be here to present to the committee his views on this problem that has been called to your attention by the welders' group.

Mr. FULTON. We offer an opportunity but fundamentally the committee's big interest was in this question as to whether there is a possibility of a strike which might tie up all the shipbuilding and other similar defense industries by reason of say the walk-out or lock out, whichever it might be, of some large proportion of the welders. That would of course react against the machinists themselves because they wouldn't probably be able to work in some of the shipyards if there were not enough welders to keep the yards going, so you have the same interests that the committee has. Do you feel such a strike is imminent or possible, or what reaction have you?

Mr. PETERSON. I understand that threats have been made by representatives of the welders that another strike is imminent unless the O. P. M. can bring about an understanding that suits their desires.

Mr. FULTON. That is why it is important. There is some half-way place where the two could meet and the committee's only interest is not

in trying to forward the interest of either side but in trying to see that both sides for their own benefit try to get a middle ground solution or any solution that they can work out between themselves so that the shipyards wouldn't be shut down by such a strike.

Mr. PETERSON. I presume the committee is familiar with the fact that hearings are now being held on the Pacific coast in the various shipbuilding centers by representatives of the O. P. M. and to these hearings have been invited representatives of the welders' groups and also representatives of the employers and international unions, interested in the shipbuilding industry.

Mr. FULTON. And do you believe that some solution can be found there?

Mr. PETERSON. I think some solution can be worked out.

Acting Chairman HERRING. Thank you, unless you have something else to offer.

Mr. PETERSON. I would like to leave a copy of the statement that was recently released by the metal trades unions.¹

Acting Chairman HERRING. That may be placed in the record. Is there any other representative here that desires to be heard? If not the committee will adjourn until 10:30 tomorrow morning.

(Whereupon at 12:15 o'clock a recess was taken until 10:30 a. m., December 5, 1941.)

¹ Previously entered as Exhibit No. 323, see appendix, p. 4158.

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

FRIDAY, DECEMBER 5, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:38 a. m., pursuant to adjournment on Thursday, December 4, 1941, in room 318, Senate Office Building, Senator James M. Mead, presiding.

Present: Senators James M. Mead (acting chairman), Styles Bridges, and Clyde L. Herring.

Present also: Mr. Hugh A. Fulton, chief counsel; Mr. Charles P. Clark, associate chief counsel.

Acting Chairman MEAD. General Osborn, will you be sworn? Do you solemnly swear that you will tell the truth, the whole truth, and nothing but the truth, so help you God?

General OSBORN. I do.

STATEMENT OF ACTING CHAIRMAN JAMES M. MEAD

ARMY RECREATION FACILITIES

Acting Chairman MEAD. This particular session has been authorized by the chairman for the purpose of looking into the recreational facilities available for the boys at the various camps. During our survey last August and September, we had opportunity to look at the facilities available in some of the camps and sites and to talk to the officers and men about the facilities, the presence of them and the lack of them. We learned that it was more or less at that time left to the judgment of the commanding officer, and in one case we learned that the commanding officer was willing to take chances and perhaps invite discipline by becoming an extremist in advocating athletic games and competition and recreational facilities that would buoy up the morale and make the boys physically fit and cause them to like their jobs a little better. In other places we were told by the commanding officer that they were interested in other things, and we took it for granted that he wasn't an advocate of football or baseball and probably never enjoyed the games anyway.

Anyway, I want to put in the record an analysis showing the strength of the prospective posts and the facilities of each of the following posts, which I think reveals ridiculous situations: Camp Stewart with a strength of 17,000 men has 2 basketball courts and no gymnasium, no swimming pool, no football field, no handball

courts; Camp Blanding, with a strength of 50,000 has 3 tennis courts, no basketball courts, no football fields, no handball courts, no gymnasium. They have taken care of the spiritual needs of the camp, which I am very, very glad of; they have 25 chapels there, and I think that is a very, very necessary adjunct to the Army.

Fort Leonard Wood, with a strength of 40,000, has 1 football field, no handball courts, no gymnasium. The only camp in the list possessing a gymnasium is Fort Meade, which has 1. That involves the list of the camps that we checked. Only 4 camps out of 12 have swimming pools, and Fort Meade alone has 3 of them. Indiantown Gap has listed as part of its equipment on hand 39 basketballs and has no basketball court, and Camp Stewart lists 50 footballs as part of its equipment and has no football field. For a strength of 17,000 men it purchased, in 1941, 1 handball. It possesses 2 basketball courts, and, in 1941, 121 basketballs were purchased. Camp Davis lists 18 basketballs and has no basketball court. Pine Camp possesses 13 basketballs, 15 baseballs, 51 baseball bats, and has no baseball fields or basketball courts. That was at the time we were there.

A comparison of Fort Meade with 27,000 men and Camp Blanding with 50,000 men is interesting. Meade has 3 cement swimming pools; Blanding has a lake. Meade has a football field; Blanding has none. Meade has 11 tennis courts; Blanding has 3. Meade has 31 volley-ball courts; Blanding has 2. Meade has 10 bowling alleys; Blanding has none. Meade has 9 boxing arenas; Blanding has 3. Meade has 11 softball fields; Blanding has 2. Meade has a gymnasium; Blanding has none. Meade's allotment of funds for welfare of enlisted men in the Army for the year 1941 was \$28,029.03; Blanding's allotment was \$23 663.24.

Anyway, I want to put this in the record. That paragraph of it was so much to the point that I thought it ought to be emphasized by having it read.

I want it clearly understood at the outset that the committee has no criticism to offer so far as your work is concerned. We realize that it may have been a congressional oversight or omission in passing the necessary appropriations, but it occurs to us that there should be some uniformity, some directive from the Department, that would require at least a minimum of athletic competition and recreation of this character, and it occurs to us that in keeping with the directive the funds should be provided. If it was an established policy it probably would be less difficult to secure the appropriations than is the case now. I don't believe that it is a matter that ought to be left to the individual post commander or camp commanding officer. I think where they take the boys out and run them up and down the lot, asking them to jump over barricades and crawl under tunnels to harden them up, they could do a much better job and have the boys enjoy it a little better if they took them out on a football field or a baseball diamond or a volley-ball court and let them harden up while at play.

At one of the camps the hardening lane was a very difficult series of obstacles. You might have been hurt in negotiating it. Very often you got good and dirty; you went in the mud and had to pay for your own laundry bill. All together it seemed to me that that course could have been eliminated or diminished if they had the

necessary facilities to harden the boys up the easy way. At any rate, we are not criticizing you, General; we want to help you.

You may proceed.

(The memorandum referred to was marked "Exhibit No. 324" and is included in the appendix on p. 4160.)

TESTIMONY OF BRIG. GEN. FREDERICK H. OSBORN, CHIEF OF MORALE BRANCH, UNITED STATES WAR DEPARTMENT

FUNCTIONS AND PLANS OF MORALE BRANCH, UNITED STATES WAR DEPARTMENT

General OSBORN. Senator Mead, how would you like me to proceed? What kind of statement do you want; a somewhat historical statement covering the development of this work, or——

Acting Chairman MEAD. You might tell us, if you will, in your own way, just what is being done now to provide these facilities and this recreational program to the boys in the service. You might put in the history of it, if you wish, also.

General OSBORN. If I may, I will give you a little history very briefly.

Acting Chairman MEAD. And emphasize the obstacles that you have had to overcome.

General OSBORN. Yes, sir.

In the last war the recreational activities in the Army camps were carried out by civilian organizations. Toward the end of the war the Army set up a morale branch under General Munson, but that branch was concerned solely with studies on the psychology of the soldier, looking toward developing better methods of leadership and training. At the end of the last war, Mr. Fosdick, who had been in charge of the civilian activities, and Secretary Baker both recommended that the Army do the job if another similar occasion should arise; that is, the job of recreation in the camps. Accordingly, the Army in its plans for a possible mobilization included in the construction of every camp certain recreational facilities and included in its personnel the appointment of morale officers with post and with every division. The central direction of these activities was left in a Morale Division of the Adjutant General's office.

On January 1 of this year, Mr. Stimson appointed a civilian committee to advise with him on these activities in the Army, and shortly thereafter Mr. Knox asked to be let in on the committee, and the committee became known as the Joint Army and Navy Committee on Recreation and Welfare. Mr. Stimson, whom I had known for many years, asked me to be chairman of that committee. Mr. Knox appointed the vice chairman. We were given offices on the ground floor of the Munitions Building. I had frequent access to Mr. Stimson and to General Marshall, whom I found to be very much interested in this whole problem.

In February General Marshall told me that he had come to the conclusion that if the Army was going to do its job well, a separate branch should be set up with a general officer in charge, reporting directly to the Chief of Staff. Accordingly, Mr. Stimson set up the Morale Branch early in March, under a directive assigning it the two functions of recreation facilities and of studies on factors affecting morale, the

functions carried out by Raymond Fosdick in the last war and the functions of General Munson in the last war. Also, there was assigned to the Morale Branch the responsibility for the Army Motion Picture Service and the Army Exchange Service, supervising the enormous business of the post exchanges.

General Ulio was appointed head of the Morale Branch, and his offices, the offices of his staff, were immediately adjoining mine, so that I had intimate opportunity to observe their work, and as the men came in assigned to athletics in the Army, Major Bank assigned to education in the Army, Colonel Young, and the others, General Ulio generally brought them in and introduced them to me and later asked me what I thought. We had a very intimate relationship.

I appointed on my joint committee civilian subcommittee on athletics, composed of 9 or 10 of the leading athletic directors of the United States; on education, composed of the leading university presidents and administrators; and so forth. These subcommittees work directly with the corresponding officer in the Morale Branch on his specialty.

In July General Marshall told me that General Ulio was sick and had to go to the hospital and would ultimately go on to another job in the Army, and that he was looking for somebody for his successor, and very unexpectedly asked me, in September, to take the job, so I have seen this operation over a considerable period of time.

The original construction plans of the Army provided for a day room, a small barrack, between the company barracks and the company mess hall; provided for a regimental recreation hall for every regiment, a hall seating between 350 and 400 people, equipped with a stage and dressing rooms, with a motion-picture projector room, a room for small amateur motion pictures or small training films, and benches for the audience. When the benches were removed the room could be used for dances or, in many cases, for boxing bouts, by constructing a small ring in the middle. At that time the Army did not expect to construct separate chapels, and the recreation hall was also provided with doors on the stage which opened to make the recreation hall as a chapel, with an altar and a cross on the stage. Later, chapels were provided.

Every division is equipped with a service club. You have probably seen them, very fine buildings on the inside, and on the whole, well adapted for that purpose; cafeteria and big dance hall, library upstairs; adjoining the service club for every division, a guest house accommodating 54 guests; 2-story barrack, and also accommodating the 3 hostesses and the librarian, the usual charge for the guest house being 50 cents a night to anybody who is introduced by a soldier as a relative or friend, and usually they are not permitted to stay more than 3 nights.

The Morale Branch began to get its offices in and its set-up organized by May. It found itself operating six divisions: The Army Exchange Service; the Army Motion Picture Service; the Recreation Service, under Colonel Montgomery; the Services Division, having the hostesses, libraries, and service clubs, under Colonel Watrous; an Editorial Division and Research Division under Major Munson, the son of General Munson, in charge of research in the last war. One of the first things that the branch developed was that while the recre-

ational facilities construction was of the highest grade, there was not sufficient athletic construction going on. Immediately, in June, I got in touch with the quartermaster's office and began plans for the design of large field houses. There was a good deal of delay because the buildings had to be built out of materials which weren't too scarce. But now 37 field houses have been authorized, and of these a large number are nearing completion. All of them have wooden arched roofs except 10 in the northern part of the country which will carry a heavy snow load so that the field house at Pine Camp and, I think, the field house at Indiantown Gap, which have to have steel roofs, are behind in construction. I have just seen the completed field house at Bragg, and it is a superb building, 180 feet long and 100 feet wide, all clear space, a great arched roof, and proper dressing rooms, storing rooms for benches, able to be used. The athletic director at Bragg told me it would be used continuously with its 3 basketball courts in operation, and it is going to be of immense value to the camp.

Acting Chairman MEAD. When will these facilities be available, General, at Pine Camp and Indiantown Gap?

General OSBORN. Pine Camp, I know the steel has arrived, and the construction of the field house has commenced. Major Bank, you can perhaps tell me when it should be completed.

Major BANK.¹ It should be completed, the quartermaster told us, by the middle of January.

Acting Chairman MEAD. We were told when we were at Pine Camp that the boys who were to be retained in the service 1 year would be home, out of the service, before these facilities were available. That is probably true, isn't it?

General OSBORN. That is probably true.

Acting Chairman MEAD. So the difficulty was this program didn't get under way as quickly as the general camp construction program was started.

General OSBORN. It was altogether that, almost 8 months later.

Acting Chairman MEAD. Facetiously, if I may just interject here, we heard quite an interesting pun at one of the camps. Somebody who had served in the Spanish War said, "We remember Alger's swamps, and, of course, I went through Pershing's mud, but," he said, "these boys will always remember Marshall's dust." It was at a ball game at which the shortstop couldn't see the first baseman for dust; they were playing on an impromptu diamond, and all these camps were in the course of construction. It was a marine camp. The boys went out and fixed up a diamond as well as they could. I guess they were playing with a ball they tied up some way so as to keep it in shape. Camp Elliott it was, I am informed. It was a marine camp, not an Army camp. It struck the committee as though the whole program ought to be stepped up a little bit, and these boys on their own time could have been authorized to go out and fix up a diamond that would be much better than the one they had.

General OSBORN. I think you are undoubtedly correct in that, Senator Mead. The Army construction programs for recreational buildings to be built at the same time as the barracks on the whole have

¹ Major Theodore P. Bank.

proved very satisfactory. The construction program for athletic facilities came later. I think I am correct in saying that. We have got 37 of these field houses—we should have at least another 20 of this size for the large posts, and the small posts need some kind of indoor athletic facilities, especially the smaller posts in the North. We have now completed, I think, the preparation of plans for the smaller field house for posts of 15,000 or less.

Major BANK. Ten thousand or less.

General OSBORN. Ten thousand or less; and we are working on plans for the construction of outdoor athletic facilities; if any new camp should be built the construction of outdoor athletic facilities to be built at the same time as the camp is built. The ground would be prepared and the sites laid out, which was not done with these first camps.

The other recreational buildings have proved quite satisfactory, but, as we have seen them in operation, we are suggesting moderate changes for their design. The regimental recreation halls, which have been provided in great numbers, are just a little bit too small, with slightly too small a room to play basketball in. Our new design calls for a recreation hall in which you can play basketball.

Acting Chairman MEAD. General, why were they originally designed too small?

General OSBORN. They were to be used as recreation halls and chapels. I think the Army thought if they were designed as athletic halls as well there would be too much conflict for their use. Now we have the chapels, and it is felt that they should be designed for recreation and athletics. I don't know the early history, but I am sure it is along those lines.

The service clubs have proved superb buildings for their chief function, but the library is not properly placed; it is too noisy, and there isn't sufficient reading room; and at some extra expense the service clubs are being redesigned with an enlarged wing for the complete separation of the library and providing additional reading rooms.

We also have plans for an entirely separate library, but we are not sure that that is wise.

On the side of personnel, it very early developed that one morale officer per division and one morale officer per host as the only full-time officers were not going to be a sufficient staff to supervise and develop the recreational activities in the field. Last winter, morale officers were increased to give each morale officer with posts and divisions two full-time assistants. During the summer we recognized the need for full-time recreation officers with every regiment. Up to that time they had been part-time officers—not even part time; an officer who perhaps was also too busy was told he was also recreation officer with the regiment.

On October 10 The Adjutant General, at our request, issued an order assigning a full-time officer with every regiment in charge of recreation, athletics, and amateur dramatics. Those men presumably are only now getting into their jobs because, during maneuvers, they wouldn't have had a chance to operate.

The selection of those recreation officers and their training on their jobs, I believe, are the things which, more than anything else, are going to determine the success of the Army's recreational program, and the

Morale Branch is making every effort to train those men. We have recently completed a tentative Regimental Recreation Officers' Guide, which has just been sent out to the field. I would like to put it in the record, if you would like to see it.

Acting Chairman MEAD. All right.

(The document referred to was marked "Exhibit No. 325" and is on file with the committee.)

Acting Chairman MEAD. General, do I understand that these men are not yet at their tasks; they are just being prepared for them?

General OSBORN. No; they are at their tasks, probably just now. I have said that the order came out on the 10th of October. Most of the Army in the East was on maneuvers, and their task would be of different nature on maneuvers than it would be on the posts. They are all on their job, I presume, as they get back to their posts, and they will find this manual waiting for them.

DELAY IN CONSTRUCTION OF RECREATION FACILITIES

Acting Chairman MEAD. When we made this investigation which evidently was not for the purpose of ascertaining the athletic or recreational or service facilities, we noticed that there was a lag in the U. S. O. building program, at many cantonments there weren't any U. S. O. facilities within a radius of usefulness, and the committee announced that they were going to take that matter up as soon as they returned to Washington, but before we got back I believe they announced that they were going immediately to start construction of a certain number of buildings and they would be all ready by December or January. I don't suppose this order that you are talking about issued on October 10 with reference to the appointment of these recreational representatives had anything to do with the committee's publicity at that time.

General OSBORN. No, Senator Mead. I had been working on this myself since June, when I was a civilian.

Acting Chairman MEAD. I see.

General OSBORN. And pushing the officers in the Army very hard, and the mistake I made was that I didn't go high enough; otherwise, I would have gotten it through then. As soon as I went to the Staff officers, even before I got to the general officers, they saw the picture at once and said, "Of course, you have to have full-time recreation officers. You can't do the job unless you have," and the order followed almost immediately upon my appointment. Prior to my appointment I had been only to officers below the General Staff officers, the heads of the Staff, and I had worked pretty hard on them but hadn't been able to get it through. General Ulio twice made the same recommendation. In May General Ulio recommended full-time recreation officers but was turned down by the Staff, and he simply didn't go high enough.

Acting Chairman MEAD. The committee is very happy over the fact that U. S. O. resolved their differences and got busy immediately with their building program.

General OSBORN. Might I correct and make a brief statement about the U. S. O., because I believe there is a good deal of misunderstanding and blame on the U. S. O. which is unjustified. To my mind the U. S. O. was in no way responsible for the delay in the construction

by the Government of these buildings. I was in the whole U. S. O.-Government situation from the start when Charlie Taft agreed that if appointed he would come to Washington and be Assistant Coordinator under Mr. McNutt. I was told to get a joint agreement by Mr. McNutt, Mr. Knox, and Mr. Stimson on the division of responsibility for the recreation of the soldier and sailor, and send it to the President, and we prepared a memorandum which was agreed to by those three Cabinet officers, providing that the Army would look after the recreation facilities in the camps, the Navy would look after the recreation of the sailor in the naval reservations, and that the Federal Security Agency would invite the U. S. O. to provide the personnel for the operation of buildings to be built by the Government in defense communities; the U. S. O. to have a campaign to raise funds for that purpose, and to sign a lease with the Government for the operation of these buildings, providing the personnel. We took that memorandum to the President, General Marshall, Admiral Nimitz, Mr. McNutt, and myself, I think early in February, subject to correction as to exact date.

Acting Chairman MEAD. Yes.

General OSBORN. The President approved the memorandum. Charlie Taft was appointed Assistant Coordinator. The U. S. O. was then brought in and told that their offer of service was accepted and this was their specific job. A bill was introduced immediately for the necessary appropriation. For various reasons, with which I am not at all acquainted, it was 3 months before the bill was finally passed, and then the money was appropriated to the Federal Works Administration instead of the Federal Security Administration. Taft, in the meantime, had made all of his plans, specifications, and selection of sites for the construction and location of these buildings in defense communities. The Federal Works Agency had made no preparations. They naturally felt that they had a responsibility for the construction and location of these buildings, and there was another long delay during which they were trying to agree with Taft and the Federal Security Agency whether Taft had picked the right sites and drawn the right specifications.

At that time, Mr. Dewey, who had been very disturbed at the delay in the construction of these buildings, because he had been chairman of the finance committee of the U. S. O. and had raised not the \$10,000,000 which was their original purpose, but \$13,000,000, had been telephoning me constantly saying that he was getting increasingly in an embarrassing position because they wanted to know why the U. S. O. wasn't operating and what they were doing with their money.

Finally he came to Washington on September 24. He came to my office at half-past 8 in the morning, and he was pretty disturbed. I said to him, "We will just go all over Washington and let you make up your mind where the delay is and what should be done about it," and we saw everybody. By the end of the first afternoon, Dewey said:

It is perfectly clear to me that there are just too many cooks in this situation. We have two immense Government agencies, each apparently confused as to the division of their responsibility for the construction of these buildings, and at this rate we will never get them done.

We went to Mr. Stimson and so reported just that to him. Mr. Stimson said, "I can see that perfectly. I am going to talk to the President about it at once." This was Thursday at 2 o'clock, on the

25th, the second day that Dewey was here. The next day, Friday, Mr. Stimson called me up and said:

The President has transferred that \$20,000,000 for the construction of the U. S. O. buildings to the War Department. I want you to be in my office with Taft and General Somervell at 9 o'clock tomorrow morning.

We were there. Mr. Stimson said to General Somervell, "Here is the money. Go out and build these buildings. When do you think you will get them done?"

General Somervell said, "I think I will have most of them done before Christmas."

The construction was commenced by the Army about the 5th of October, within 10 days, we having reached an agreement as to the specifications and the sites with Taft's organization in every case, working very closely and rapidly with them.

At the present time, of the two-hundred-and-twenty-odd buildings 77 are ahead of schedule, 7 are actually completed—this is as of December 1—19 are on schedule and 67 are behind schedule, and 19 are not yet started.

I attended the opening of the first two buildings at Fayetteville, which is one of the places where they are most needed to take care of the enormous population at Fort Bragg. The buildings were opened on Friday, one a colored U. S. O. building and one for white troops. The building is fine and was completed 2 weeks ahead of schedule and 4 weeks ahead of the time General Somervell promised to have them finished. These buildings will, practically all of them, be available to the soldier by Christmastime. Only a few specially constructed large buildings needing steel in their construction are going to be delayed until much later in the winter.

Acting Chairman MEAD. The committee was of the impression that the U. S. O. organization in the field were very anxious to get into these buildings. The trouble wasn't there. The trouble probably was in getting the work started here by the right agency.

General OSBORN. That is right.

Acting Chairman MEAD. And there was conflict that required coordinator's effort, and perhaps, as is the case in housing and some other agencies of the Government, when a coordinator is called in there are usually delays not caused by the coordinator but caused by inability of the coordinator to get the Government agencies together. Personally, I believe the responsibility ought to be made more direct and we ought to eliminate, as far as possible, the coordinator.

Go ahead, General.

General OSBORN. Well, the Army would not have been able to do this extraordinarily rapid job if it hadn't been for the fine preparation made by Taft and everybody else in the situation.

Acting Chairman MEAD. But it was all unfortunate in that it wasn't started when the camp was started. We finished the camp, we moved the selectee in, we are discharging him now at the end of his first year, and we haven't got the recreational facilities, we haven't got the U. S. O., we haven't got the athletic facilities ready yet.

General OSBORN. That is right.

Acting Chairman MEAD. That is unfortunate. But, as I said in the beginning, it isn't your fault; it wasn't the fault of the U. S. O. officials in the field. It is just probably the lack of a prearranged plan,

and then the centering of responsibility in some one individual's lap so that he couldn't avoid it.

General OSBORN. I should think, Senator Mead, there was lack of sufficient foresight. The things that the Army had prepared to do they did well. The Army Motion Picture Service, I think, expanded just as rapidly as the men came into the barracks. That is almost a correct statement, I think. The Army Motion Picture Service was a going concern, and they knew that was their job. The construction of service clubs, the day rooms, and the recreation halls which the Army had planned went forward, and the appointment of hostesses and the activation of those buildings went forward and have been successful, very. So that it is fair to say that even with the weaknesses, such as they were, in the athletic program, the other programs were better than any the Army has ever had before. There was everything in the world to be done, and the training of these officers, which is, as I say, going to make the success or failure, is all ahead of us. There is, however, this situation, which very much concerns me, that in the smaller camps—the camps from 20,000 men down, and then particularly in the camps from 10,000 men down—I am certain that the recreational facilities are inadequate. It is very much harder to get an adequate sum of money for a gymnasium, a field house, for a group of 5,000 men than it is for a group of 20,000 men, and yet the smaller group, because they are more isolated, because they have fewer resources, may need these extra facilities more than the larger groups, and the whole question of the smaller camp is one which greatly concerns me.

Acting Chairman MEAD. General, what use was made of the plans that were drawn up after the World War for recreational, athletic facilities of this nature? It seems to me that we had adequate plans formulated, prepared. Was anything done about those plans at the beginning of this building program?

General OSBORN. At the beginning of my appointment as chairman of the joint committee, I telephoned Ray Fosdick in New York. He came down to Washington within a couple of days and spent 4 days with the joint committee, and also met a number of Army officers. He went over the program of the Army. He said that the building facilities were far superior to anything they had even at the end of the last war; while some of their buildings were larger, they weren't scattered through all the camps. He had, for instance, field houses and theaters which would hold three or four thousand men, but there weren't enough of them, whereas the Army this time had provided motion-picture theaters in every camp on the basis of one seat for every six men, and it had provided these service clubs and other buildings. By the way, he has now become a member of the joint committee himself and attends their meetings and visits the camps.

Acting Chairman MEAD. Fine.

General OSBORN. He felt that with the advent of the motion picture, with the greater time that there was for the training of troops, because we weren't actually at war, the picture was different. We went over his report. He had some hesitation, some doubts, about our athletic program not going rapidly enough, but on the whole seems pleased with the development, thinks it has been better done as a result of the experience of the last war.

SELECTION AND TRAINING OF RECREATION OFFICERS

Acting Chairman MEAD. Would you say to the committee now that you have an athletic director now in every cantonment and camp of any size?

General OSEORN. No, Senator Mead. I am afraid that is not the case. I think it will be the case. In the larger camps I am sure there is an athletic director or morale officer in charge of athletics. In some cases we got some of the best men for that job that we could have picked in the United States. I have just come from Bragg. The morale officer, Captain Holladay, has been post morale officer at Bragg since January when I first saw him there. He has developed his activities with a great deal of administrative ability and imagination. He has just brought in as athletic director a Captain Broyles, who is one of the best-looking athletic directors I have ever seen, a Regular Reserve officer called to active duty, a physical director in a university or high-school group, a very high-grade fellow. Now, those are the men we are looking for, and we have a lot of them who are Reserve officers, but it is going to be some time before we get the right men at the right tasks.

Acting Chairman MEAD. In the meantime, why couldn't somebody in authority issue a directive to all the camps and cantonments and barracks, advising them of a minimum program that must be instituted at once and authorizing them to select, temporarily, a morale officer or an athletic director, or whatever the title is, to take over this program and to begin work on the minimum program outlined in the directive. Now, for instance, in one camp we found an All-American football player who would have made a great athletic director in that camp, but who was assigned to other work, and in other camps there were graduates of the various universities of the country, letter men in baseball, football, and they could make their own programs up if a general directive were issued at once requiring a minimum athletic and recreational program and calling for the appointment without delay. That is the trouble with this program. I don't know who is at fault, but it isn't there yet, and if we wait until we select and train these men it won't be there and we will have another sorry paragraph like the one following the World War, and that paragraph will be our athletic, recreational, and other facilities weren't quite up to date, and it probably was the Congress' fault, it might have been the Department's fault, but it seems to me that it isn't anybody's fault; everybody is trying to do this job, but the Secretary ought to issue a directive, I think, calling for the immediate initiation of this program and for the selection within the personnel of that camp of someone to direct it, and he might be a private, he might be a noncommissioned officer; it isn't necessary that he be any particular type of service man, as long as he knows something about the responsibility.

General OSBORN. I didn't make myself entirely clear. There is in every post and with every tactical unit down to a regiment a man who is responsible. He is a morale officer with the larger unit and the recreation officer with the smaller unit. In all of the larger units the morale officer is supposed to have as his assistant an athletic officer full-time.

Acting Chairman MEAD. All of the smaller posts?

General OSBORN. In all of the larger units.

Acting Chairman MEAD. The larger posts.

General OSBORN. Yes. My doubts were as to whether all of those assistants who are athletic officers have been appointed, but in the meantime the morale officer is responsible for the athletic program in the post or in the unit, and all those men have been appointed.

Acting Chairman MEAD. Then how do you account for the situation that we find in one camp where the camp commander is an enthusiast for athletics, and he has a team vying with the other teams in the corps area for what equals the little world's series championship? Another camp commander has no particular interest in athletics at all, and he says it is just a waste of time. Now, in one camp the boys are enthusiastic over their team, over the possibilities of being the champions, of winning the championship, while in the other camp they have to go off some place by themselves and play catch back of a building instead of coming right out in front like the other boys do in the other camp and enjoying a good lot of lusty lung exercise, shouting for their team in the afternoon. What's the reason for that? That experience came to us only last September.

General OSBORN. I have no doubt that is the case, Senator Mead, and it is due to the policy of the Army of decentralized control, and, personally, on the whole, and with exceptions, I believe in that policy because I think in the long run it puts the responsibility for everything within limits defined in Washington on the commanding officers, and unless you do that you are not going to develop the quality of men who can lead fighting men away from their source of authority. Now, there may be some delays there, and in different individual instances it may be necessary to limit more nearly and exactly the room which the commanding officer has to move in. We are having a meeting of all division and corps-area morale officers on the 15th, a four-day meeting. It is the first time they will have all been brought together since last winter in Washington. We are going to get quite a picture from them as to how great the gaps are between the different camps.

Acting Chairman MEAD. General, I take it, then, that you believe it would be better to leave considerable authority with the post or camp commander rather than to have an order issued by the Secretary to the post and camp commanders, reinforcing the authority of the morale and recreational officer and ordering a minimum recreational and athletic program. You believe that would be better?

General OSBORN. I think that would be desirable, Senator Mead. I think what you are suggesting may be desirable—

Acting Chairman MEAD. You think that my suggestion would be desirable rather than just to leave it as a hit-and-miss proposition based upon the attitude of the local commander.

General OSBORN. Yes.

Acting Chairman MEAD. Well, then, that is what I am in favor of, and it occurs to me that if a directive were issued such as we have just outlined, and temporary officers were appointed and it were put into effect, the facilities, many of them, could be made available by the voluntary effort of the men under the direction of the morale or athletic officer, and before these boys leave for their homes with their service behind them and perhaps some impressions that ought not to be there, we would have these facilities available and we

could, I think, make it more enjoyable for the boys and improve the morale.

There are literally thousands of the finest type of men who are experts in every sport, who are anxious to go in there on a voluntary basis and help the morale officer. We could have the stars of the American League and of the National League and of the football leagues and every other league spending considerable time with the morale and athletic director, encouraging the boys during their recreational period and making their camp life far more comfortable than it is now.

I know a boy who was a star at college, and he hasn't been able to get a glove on his hand since he went to camp. He says they just haven't anything there. He said to me, "If we don't get facilities pretty soon I think they are going to have someone break out at camp." That ought not to be. A situation like that ought to be eliminated by a minimum directive calling upon these commanders to organize immediately under the authority granted in this directive to put over such a program.

I am just reminded that in the posts that are located in Alaska and in the distant Caribbean Islands, Newfoundland, and other places, facilities like this, where there are no other recreational facilities, ought to be encouraged, and encouraged at once.

General OSBORN. There has been delay there, not through any lack of effort, very largely as a result of difficulties of priority of shipping and construction materials. We have drawn heavily on General Marshall's contingency funds to ship recreational materials to the bases, and the Red Cross has been very generous in making allotments of money for the purchase of recreational materials, but we haven't got the facilities in the bases yet that we ought to have, there is no doubt of that.

Acting Chairman MEAD. Well, this minimum program could be put into operation at once. It couldn't take very much to set up a volley-ball court, and it wouldn't take very much to set up a baseball diamond such as the boys might be satisfied with, and the same is true all along the line.

I think that your Department ought to be supported and reinforced by the intense interest in it on the part of your superiors, which I think is due now.

General OSBORN. Well, the difficulty of getting moneys for these things is all along the line. There is not so much difficulty for the Army, but we are next door to the Bureau of the Budget and there is always a question there. And then it comes to Congress. So that there are three hurdles, three appropriation hurdles, to jump in getting money. Last spring we were so short of recreational equipment that there just were no baseballs, basket balls, footballs, available, and no money anywhere to buy them, and the Red Cross gave us a gift of a million dollars because of this critical situation, with which we purchased recreational materials for the Army.

Acting Chairman MEAD. And the U. S. O. raised millions of dollars and they were only waiting for the Government to build the buildings so that they might invest it in recreation for the boys.

General OSBORN. Yes.

Acting Chairman MEAD. Well, now, the Congress has never refused any money for recreation or for athletic programs, has it?

General OSBORN. I am trying to think, Senator Mead. We had a seven-and-a-half-million-dollar request for the construction of athletic facilities which was cut to three and a half.

Acting Chairman MEAD. By whom?

General OSBORN. And that was the reason we haven't got more field houses or more smaller gymnasiums or more equipment in the field.

Acting Chairman MEAD. Was that cut by the Budget?

General OSBORN. Well, I am not sure. I think it went through the Army, all right.

Acting Chairman MEAD. Colonel, do you remember where that cut was made?

Colonel MONTGOMERY.¹ No, sir; I do not.

Major HAYES.² Senator, most of the shaving of funds available was made either in the advisory committee of the War Department or the Bureau of the Budget. These cuts are merely based upon the fact that all funds appropriated for War Department purposes are relative and that in determining the policy a certain percentage of that is applicable for welfare and recreational purposes. We can't exceed our quota.

Acting Chairman MEAD. That is all right.

General, Senator Bridges would like to ask you a few questions.

QUESTION OF CONTROL OF PROSTITUTION

Senator BRIDGES. General, you remember that the Congress passed the so-called prostitution bill here sometime earlier in the year.

General OSBORN. The May Act?

Senator BRIDGES. Yes; and the mail that I have been getting in relation to that indicates quite an anxiety on the part of many people, as to what has been done, and certain national organizations that are concerned with that claim, rather state, that they haven't been able to get any satisfaction out of the War Department as to what has been done. Will you tell us what you are proceeding to do on that, what has been done, and what you are proceeding to do?

General OSBORN. In February Mr. Stimson sent me a copy of a telegram he had received from some community advising that prostitution was rife in the community, and wanting the Army to do something about it. As a result, the joint committee called a meeting on venereal disease. At the time we were having morale officers' conferences in Washington early in February. We got an expert from the office of the Surgeon General of the Army and from the office of the Surgeon General of the Navy, a Dr. Moore from Johns Hopkins, who is one of the leading experts in this country on venereal diseases and its control. Bascom Johnson, who was concerned with this in the last war; Dr. Snow, of the American Public Hygiene Association; and four or five others of the people who know most about suppression of prostitution and reduction of venereal diseases. They

¹ Col. Murray M. Montgomery, Chief, Welfare and Recreation Division, Morale Branch, War Department.

² Maj. William B. Hayes, Chief of Budget and Fiscal Division, Morale Branch, War Department.

spent a day with these morale officers. The unanimous opinion of the Navy surgeon and the Army surgeon and all of the civilian experts was that in the continental United States, at least, the idea that a segregated district was a protection against venereal disease was a fallacy, an entirely exploded theory; that any statistics supporting such a fallacy were undoubtedly incorrect, as they had been proved many times; that the Army should tolerate no segregated districts, should simply fight prostitution in every form and especially in every commercial form. This was already the policy of the Army, but as a result of this meeting, because the meeting had crystallized opinion, The Adjutant General was directed by General Marshall to send out a notice repeating previous notices that the Army would not tolerate segregated districts, and that no Army personnel would take any part in permitting such a condition to continue.

That letter was sent out by The Adjutant General I imagine at the end of February. I know that General Marshall sent a personal message to the leading officers of the Army under him telling them that he meant business with this message and that it was done on his order.

Taft, meantime, was charged with the setting up of a civilian agency under the Federal Security Agency to do the kind of job that Bascom Johnson did for Ray Fosdick in the last war in that field. Taft and I, since I have been in as Chief of the Morale Branch, have had a number of talks. Half a dozen times Taft has called me up and said, "Watch such and such a situation; it may get so bad that we are going to call the Army in to help us do something about it." He hasn't yet said to me, "This is the situation which we are going to make an example of."

Senator BRIDGES. Well, General, there are a lot of reports around some of these Army camps about trailer camps being set up and that those are the centers of commercial prostitution. Has the Army, as a result of this legislation which has been passed, taken any definite steps to get rid of these trailer camps, and these centers of commercial prostitution which are within reasonable distance from Army camps?

General OSBORN. I don't believe that the Army has invoked the May Act as yet, Senator; I think that they have in numerous cases declared certain districts out of bounds and put M. P.'s at the head of a street or a building or something like that, so as to see that the rule is enforced and that the district is out of bounds. They have had any number of conferences with community authorities and Taft's representatives.

Senator BRIDGES. Well, the answer, as I see it, is that under that act, so-called, you have taken no definite steps to enforce the provisions of the act. Are you working on a procedure for doing that, or are you just going to let the matter slide in that respect? There is a real concern on the part of many people in this country about this, and they have the idea that the War Department hasn't attempted to enforce the act and carry out the provisions, and the point of my questions is that in order intelligently to answer them and to know what is going on, Is this act just going to be ignored, or are you going to proceed to lay out some general plan to carry out the provisions?

General OSBORN. I am perhaps not sufficiently informed to give you a fully satisfactory answer, because this isn't directly a part of my job.

It isn't the job of the morale branch. I know a good deal about it because of my contacts with Charlie Taft.

Senator BRIDGES. May I ask, General, whose job it is?

General OSBORN. Well, it is the job of the Surgeon General and the Staff in cooperation with the Surgeon General.

Senator BRIDGES. I was under the impression it would come under you.

General OSBORN. No, no.

Senator BRIDGES. That is why I was directing the questions to you.

General OSBORN. No; it doesn't come under me. It is the job of the Surgeon General.

Senator BRIDGES. I don't want to be unfair to you. I was just asking for information. If it doesn't come under you I don't want to press the questions at this time.

General OSBORN. I am glad to give you my opinion but it would be only what I have gathered from talking with Charlie Taft rather than talking from the Army standpoint.

Senator BRIDGES. What is Taft's connection with the Surgeon General?

General OSBORN. Oh, Taft has an enforcement squad under the Federal Security Agency. He first had Bascom Johnson in charge of it, the same fellow who was in charge of Ray Fosdick's enforcement of it, but Bascom Johnson belongs to a previous generation. Taft then got a man in from Cleveland who had been a safety director, a very fine-looking fellow. He had me meet him before he put him on. Taft has his agents, and whenever the Army or his Federal Security people tell him of a bad condition, he sends the agents to that community, as I understand it. Then his agents and the Army and the community—the mayor and the authorized heads of the community—get together and discuss what steps they can take and should take to get after the vice conditions.

As I understand it, the May Act is invoked when the community doesn't cooperate. It is to force the community to cooperate. And Charlie has told me—and this is not official; he has just told me personally. I asked him about it, and he said, "We haven't gotten to the place where we haven't gotten the cooperation of the community and where we have a real good chance to put the May Act into effect."

Senator BRIDGES. Then if we want to get the exact information, we would have to go to the Surgeon General of the Army, who would have direct charge of that.

General OSBORN. That is right. Colonel Montgomery tells me that some weeks ago the Army issued a circular stating exactly the circumstances under which the May Act could be invoked and describing the steps and methods and procedure for invoking it.¹

Senator BRIDGES. Could we have a copy of that put in the record of the committee,¹ and perhaps I would like to have a copy personally.

General OSBORN. Surely.

Acting Chairman MEAD. Not so very long ago I read an article in a newspaper—I believe it was followed up by being contained in some publications in which the Public Health Service severely criticized the Army for lack of cooperation in the control and elimination of venereal

¹ Subsequently submitted and included in the appendix on p. 4249.

diseases. Was there any answer, any explanation of that from Army sources? Was this apparently widespread criticism published all over the United States merited, or was there any ground for it?

General OSBORN. I think if you are referring particularly to the criticisms which were voiced in the review of Dr. Parran's book——

Acting Chairman MEAD (interposing). That is right.

General OSBORN. I have known Dr. Parran for years very intimately.

Acting Chairman MEAD. And, I believe, later confirmed by authentic sources in press releases.

General OSBORN. Yes.

Acting Chairman MEAD. They very severely criticized the Army and said that they were responsible for breaking down the strong barrier that was so effectively built up in the World War under Secretary Baker and continued on, evidently, until just recently.

General OSBORN. I haven't read the book, and I didn't read the reviews, but I am quite clear on this, Senator Mead, that this attack—— and I am not sure that he did attack, but I think he indicated, certainly, or the reviews indicated——

Acting Chairman MEAD (interposing). I think "indicated" is better than "attacked." It really wasn't an attack.

General OSBORN. Indicated that the trouble with General Marshall and Mr. Stimson was that they were not convinced of the necessity of enforcing the May Act, you see. Now that, to my personal knowledge, was highly unfair, and that is the reason that I know the book has actually been circulated. I know there has been a terrible lot of going back and forth between Federal Security office and the War Department, because in that respect I think that if the book does say that, it was grossly unfair.

Now, if the book says there are Army officers who don't concern themselves with the suppression of prostitution, undoubtedly the book is correct. This is a large Army, and there are lots of officers and I am perfectly sure there are officers as there are civilians of high caliber who believe that a segregated district is a good thing; that it is a way to reduce venereal, and so on. Those officers are being told they are wrong and the staff won't stand for it, but it takes some time. So, in that respect, I think there was real unfairness because I know the efforts that Mr. Stimson and General Marshall have made in this direction, intensely sincere. I feel quite strongly about it.

Acting Chairman MEAD. I understand the book was sent to Members of the House and sent from some source that evidently wanted action taken.

OPERATION OF POST EXCHANGES

Acting Chairman MEAD. Another matter I would like to bring up this morning is the question of post exchanges and the system that governs their operation. For instance, it is my understanding that in some of these posts the Army is exempted from tax payments on cigarettes and other articles, but they in turn charge the boys the retail plus the tax prices. In some cases they charge them more than they would have to pay for the same article in a neighboring store. Why is that?

General OSBORN. Colonel Montgomery?

Colonel MONTGOMERY. They are not exempt from the tax in the Army exchange.

Senator HERRING. Unless Federal reservations, according to the law?

Acting Chairman MEAD. There are certainly many of them on Government reservations. Do you know of cases where cigarettes are tax exempt?

Colonel MONTGOMERY. None whatever in the Army; only outside of continental limits on the Navy ships, after they have passed the zone; then they can sell them without tax, but in our Army camps the cigarettes are not tax exempt.

Acting Chairman MEAD. What about State taxes?

Colonel MONTGOMERY. I think there are probably other cases of exemptions, too, that may slip our mind for the moment.

Acting Chairman MEAD. What about exemptions in Alaska, Newfoundland, outposts in the south? At any rate, there are certain exemptions, even though they be only State. Now, why is it that they are not sold at cost? Why is it necessary to make a profit on these sales?

General OSBORN. Until May the Army post exchanges were small stock companies belonging to the units using them and run at a profit, the profit being distributed to the unit and comprising a part of their company funds. That system was immensely valuable in many cases. The company had pride in the profits and in their company funds and it meant the officers of the company had some discretionary funds to use when they moved around the country, or had some critical thing come up.

In May it was realized that with the enormous growth of the Army the system should be somewhat centralized; that you couldn't multiply your post exchanges as rapidly as you were multiplying the size of the Army, so the stock system was done away with. The post exchanges on each post were consolidated, so instead of there being separate post exchanges for each unit, maybe a dozen on one large post, they were in effect made small chain stores on each large post, one central chain-store operation on each post. They were made trusted organizations and not stock organizations, and a central control was set up in the form of the Army Exchange Service, which is the Morale Branch.

That central control has wide powers under regulations issued last May. It reaches price agreements with large manufacturing companies on standard articles and sends those price agreements out to all of the post exchanges as the price at which they can buy these goods. It can determine what goods within limits, what standards goods the post exchange, local post exchanges, will buy. It can also fix the selling price on all these standard goods. It can describe the type and specify the cost of the equipment used in the post exchanges.

It can limit them in their inventories and it can specify limits to their profits as well as in the write-up or mark-up before they sell the goods, so it has very broad powers, ample, sufficient for profit control, I believe.

It also audits all of the post exchanges, central audit system. These regulations for the chains were drawn up toward the end of May, I think. They changed from stock companies to a trusted organization

and the chain store sort of operation in the posts began to take place in July, from the 1st of July. It was supposed to go into effect the 1st of July, but actually it took a little while. The profits of the old outfits were turned over to the outfits and the new post exchange took over the inventories with a debt for them, you see, so that the process of turning over wasn't a very rapid one; couldn't be because if a new central post exchange took over a regimental post exchange it paid for its inventory and it took a little while to build up its own standard.

It had to finance itself afresh. Now in part that financing has been done out of the profits of the operation and in part it has been done out of the advance of funds from the Army Exchange Service. The Army Exchange Service has negotiated a loan up to \$2,000,000 with the R. F. C. for this purpose. At the present time, however, it has only got \$200,000, to small exchanges.

Acting Chairman MEAD. That profit matter ought to be eliminated as rapidly as possible.

General OSBORN. We think there should be 8 or 9 percent profit on the post exchanges. That would still enable them to sell cheaper than any store because so much of their overhead is covered.

Acting Chairman MEAD. I mean that original more or less unreasonable profit ought to be eliminated as rapidly as possible.

General OSBORN. That is right.

Acting Chairman MEAD. What is your agency able to do with profiteers who prey upon the service men by overcharging them in their own private enterprise located not far distant from the camp? For instance, at one Army post we paid 5 cents for Coca Cola at the service club, and just a short distance away we paid 25 cents for the same brand of Coca-Cola. Now I was wondering if these big national organizations would permit their agents or their customers to profiteer at the expense of the service men to that alarming, and I might say, disgraceful degree.

General OSBORN. So far as it is a community problem one of the jobs of the post morale officer is to be in touch with the community people, the local political officers of the community, the local recreational director, and the local U. S. O. or other recreation group in the community, and in great numbers of cases the communities have worked with the morale officer of the post on such matters as rents and other things where prices tended to rise exorbitantly. I don't know that there is much you can do on a matter like this Coca-Cola thing.

Acting Chairman MEAD. Except perhaps you could take it up with the national organization and they may prevent it as far as possible. They are a patriotic organization, I understand; they are doing some building operations for the War Department, building a big ordnance plant, and certainly they are interested in the defense program, and it occurs to me that you might communicate with companies like that and insist that they use their influence to cut down this profiteering on the boys.

ARMY EDUCATIONAL PROGRAM

Acting Chairman MEAD. There was another matter, the matter of education. We are interrupting the education of a great many of these boys; we are taking them out of high schools and colleges and

universities and we are training them for the Army. Why isn't it possible for an educational program to be instituted in which these boys might learn Spanish or other helpful languages? Why couldn't they initiate a correspondence course that would be helpful in all these camps and cantonments? Why couldn't they give them refresher courses in various engineering vocations? Now I understand they have educational activities in some places, but in others they haven't. What do you think about that?

General OSBORN. Well, there are so many aspects to that problem. I wish I had Colonel Young, in charge of education in the Morale Branch, here, but I can give you some of the salient points. We have had an excellent civilian committee on education, of which Dr. Dykstra was originally chairman, working as a subcommittee, joint committee, and advising with us. We have done some of the things they wanted us to do. We haven't been able to get all of them through. We have set up an Army institute correspondence school; got it through the staff last week. It will cost \$500,000.

Acting Chairman MEAD. Army Institute Correspondence School?

General OSBORN. It will cost that, roughly.

Acting Chairman MEAD. And what courses will it suggest?

General OSBORN. Any type, of course. We are going to use the material, the standard material of some of the big correspondence schools as our teaching material so we will have every course available.

Acting Chairman MEAD. Such as Scranton or La Salle, one of those correspondence schools?

General OSBORN. But we are going to use Army personnel because of the great reduction in cost. There are some 6,000 college professors in the Army and I don't know how many more men who are teachers, who are qualified to handle the papers in the correspondence course. There are going to be two branches of the institute set up, one in the Ninth Corps Area on the coast and one in the Second Corps Area in New York. They will be in effect two separate correspondence schools.

We have just this past week been interviewing the men for those major jobs. Colonel Young of the Morale Branch is a specialist in university correspondence school work himself and knows a great deal about them. Plans were delayed somewhat because by bringing in civilian teachers there would have been other advantages, either civilian teachers or soldier teachers. We were 3 or 4 weeks trying to decide which; the civilian teachers would have been more expensive. That would have weighed against it. It also would have been less elastic because they couldn't be moved in and out. The staff finally decided, and I think very wisely, on the Army teachers for the school. Those schools will be in operation shortly. There will be a \$2 charge which will cover all the courses a man wants to take. I think the actual cost is something like \$20, so we will be coming to Congress to ask for the other \$18 in supplemental appropriations.

Senator HERRING. During the past 7 or 8 weeks while these boys have been on maneuvers there hasn't been much chance for schooling.

General OSBORN. We are just in under the ropes on this. Now other educational activities have been local. We have cooperated, and the corps areas and the posts have cooperated, with local agencies so that there has been a great deal of sporadic educational work being done in the camps. Local universities have sent teachers in to teach

courses; some States have appropriated funds to provide teachers for teaching. I think the State of Maryland provided some funds for teaching in Meade and some other camps. There is a group at Harvard who have been supplying lecturers and teachers. The College of William and Mary has been doing a good deal. Princeton is planning a series of lectures and teaching schedules, and in addition, arrangements have been made in this correspondence institute by which the universities will give courses to men in order to enable them to complete their university or continue their university curriculum.

I can't make as specific a statement on that as I should but arrangements have been made so if a man wants to continue his college curriculum and take college courses which will be credited at the college, that provision is made for that in the Army Institute.

Acting Chairman MEAD. I suppose the same is true insofar as vocational courses are concerned, if you are going to have a mechanized Army you want to have an ever increasing force of skilled workers and no doubt you are making arrangements for the education of men in the skills.

General OSBORN. Well, the Army, of course, as part of its training has one of the most immense educational programs there ever has been, all the mechanical skills for the men actually in their job. There is a real demand for training mechanical skills on the part of the men who are not in that particular service and we expect that demand will be met through the correspondence school.

Acting Chairman MEAD. But nothing has been done yet insofar as fitting the men to skilled trades in civilian life after they leave the Army. They train them to do a specialized job in the Army, but in the Navy they give them a more general training, so that they are fitted for skilled occupations in civilian life, but your correspondence course is going to treat that insofar as your department is concerned?

General OSBORN. Yes; that is right. That is all we will be doing of that sort.

Acting Chairman MEAD. When we consider the attractiveness of the service in the Navy and the fact that they have been able to secure all the necessary personnel on a voluntary basis and assuming that their wants are not as high as the Army, we must attribute some of it to the educational program, the training program, and perhaps the facilities for education and for recreation that are perhaps a little more available in the Navy than in this new, rapidly developing selective army.

General OSBORN. And the travel and sense of adventure.

Acting Chairman MEAD. But you can see that the education and the training has something to do with attracting personnel.

TREATMENT OF ENLISTED MEN AND DRAFTEES IN PUBLIC PLACES

Acting Chairman MEAD. Now, another matter, General, that I am interested in, and it is attaining more and more interest in the Congress every day, and that is the debarment of our service men from hotels and restaurants and public places because they wear a uniform. I understand that a bill has already been introduced in the Senate bearing upon this apparent boycotting, and it occurs to me that it is becoming rather widespread and will have an effect upon the morale. I know of cases where the boys come to Washington and they have to find a place to change their clothes, take off their uniform and hide it,

as it were, in order that they might take their dates to some of the restaurants and some of the hotels here.

That has an effect upon the morale and probably is a problem that you have been considering in your department. What do you think about it?

General OSBORN. We have considered it a lot and it is highly personal with me because my son, who is a private, came down to spend Sunday with me and I was staying at one of the reputable hotels in Washington at the time. He said, "I had better not come in to dinner in my uniform; they won't want me in there," which brought it home to me.

Acting Chairman MEAD. The same experience occurred to me. My son, who is a private, brings several of his associates home and if they want to go to a so-called swanky club or hotel they bring their civvies with them and change their clothes out at my home and then go in to their hotels.

General OSBORN. It is shocking.

Acting Chairman MEAD. I don't think that is quite right.

General OSBORN. One very fine thing that we have had a little to do with, and the Army rather than the Morale Branch has had a great deal to do with in these maneuvers in the South, particularly the recent maneuvers in the Carolinas. There was a maneuvers headquarters set up 2 months in advance of the maneuvers and the maneuver headquarters, two very competent officers, got in touch with the staffs of regional recreational directors and the U. S. O.; sent Strawbridge down to represent them, and they went to every town in the two Carolinas and set up a community counsel, canvassed the town as to who would take soldiers in to spend the night with them, and practically every single town in the two States set up a quota of beds for soldiers and they literally all of them covered pretty nearly every extra bed in the town; extraordinarily small towns said they would take in two or three or five hundred soldiers. Arrangements were made with the unit commanders during the rest periods in the maneuvers, which, of course, were very frequent, for the appropriate number of men to be conveyed in to each one of these towns, and the men were taken in two, three, five hundred at a clip; turned into central headquarters, given their slips and addresses and sent to the homes of these people.

I have just come from there. I talked to literally hundreds of the boys and while not to many householders, to all of the representative southern people, representative of the householders in communities, and they said that it was an extraordinary performance; that the southern people were delighted with the soldiers, their behavior; that all of the soldiers had written letters of thanks, most appreciative, a great many touching stories, and the only place that the system broke down, and then it broke down very badly, was from a very unexpected source.

The men at each rest period were a new group of men because the maneuvers kept changing. The first week everything went wonderfully. The second week the men who had been in the community and then moved on in the process hitchhiked back so as to spend the week end with the same people, so when 200 soldiers were brought into a town a hundred soldiers had come back from some other community,

and there was a good deal of confusion, but the soldiers in the Yankee Division, many of whom I talked to, said, "If the rest of the country had the kind of hospitality and attitude toward the soldier the South has we would enjoy our stay in the North a lot more."

Senator HERRING. Mr. Chairman, I don't want to be left out of this proud fathers' club being formed here. I have a boy in the service, too. I stay at a hotel down here in Washington. I wonder if there is any definite experience where a boy has been refused admittance. It seems to me it is the price on the menu card that keeps them out of most of these hotels in Washington more than the fact they have a uniform on.

General OSBORN. I have had no personal experience myself. I have read about and been told about signs, "No soldiers allowed." "No dogs and soldiers allowed." That sounds to be humorous.

Senator HERRING. I have seen in the Mayflower they seem to be made as welcome as anyone who comes in. I wonder if there is any case where a boy has been excluded simply because he has a uniform.

Acting Chairman MEAD. Senator Green has a bill in. I think the basis of it is the signs you talked about and the positive instances of exclusions that have occurred. Now, my son told me definitely—to bring the son in again—that he only got in a hotel with his uniform on under the pretense that he was looking for me, and he definitely told me that the boys that came over with him were denied the right to enter this particular hotel, and he said that was rather commonplace, and I put an article in the Record yesterday by Major Newcombe, of Fort Rodman, in which he pointed out that the morale of the boys was all right but if the boys were treated, as, for instance, you said they were treated in the southern community, the morale would be much better, and so he said the difficulty isn't at the camp; the difficulty is in the community outside of the camp, and if the morale of the people will rise and if they will think more of the boy and of the uniform he wears, they won't have to worry about the morale in the camp.

I am sure there are definite instances where, as you have indicated and as I have indicated, the uniform is not welcome in the public places, some of them, here in Washington, that is particularly the uniform of a private. Now, my son and your son probably have private uniforms.

Senator HERRING. Mine doesn't.

General OSBORN. Mine is at the candidate school now.

Acting Chairman MEAD. General, not to neglect the problem or the subject, have you made any investigation of denying soldiers the right to enter hotels and restaurants?

General OSBORN. No. Colonel Montgomery says he investigated one case.

Colonel MONTGOMERY. One case came to our attention; a soldier in a hotel in Washington had tried to enter a dining room and was denied admission. We sent a representative to that hotel merely to find out why, and they said that they had a rule that no man could enter, no gentleman could enter the hotel dining room without a coat, and we explained to them that under the uniform regulations the coat was not a part of the equipment, the way the man was then dressed, and he said he was very sorry indeed and would rescind his regulation and admit them.

That is the only case that has come to our attention. Many cases have come to our attention in which the hotels to some extent, but mostly motion-picture houses and other points of recreation, have been very hospitable and have given soldiers reduced rates, if in uniform.

Acting Chairman MEAD. If any further instances come to the attention of the committee or to my personal attention, will you be very glad to investigate them?

Colonel MONTGOMERY. Yes, sir.

Acting Chairman MEAD. General, it occurs to me when that son brought that matter to your attention there was something back of it; at least the boys were of the impression they were not welcome.

General OSBORN. Yes.

Acting Chairman MEAD. Instead of having these boys going around looking for their fathers or in some surreptitious way getting into these places with their uniforms on, are there any rules about taking the uniform off if the hotel will not allow them to enter the dining room with it on and change their clothes into civilian clothes?

General OSBORN. I believe a soldier is not required to wear uniform when off duty at the present time.

Colonel MONTGOMERY. He can go in civilian clothes if he wants to.

Acting Chairman MEAD. It is unfortunate he has to make the change, and it is regrettable that he is barred in some few instances, but it occurs to me that it is a problem for your agency to look into. In view of the progress being made in expanding our recreational facilities and our athletic activities, it occurs to me that there is only one thing necessary and that is something to make it instant and universal, rather than to wait until you have these recreational officers trained and designated to the various posts, and the only way that could be done would be for the Secretary to issue an order that would require a minimum of recreational and athletic activity and the immediate designating of someone in the post or camp or barracks to act in a temporary capacity until you are able to have one of your men appointed for that particular location.

General OSBORN. There are recreation or morale officers in every place responsible. Some of them aren't good enough but they are responsible and getting better all the time.

Acting Chairman MEAD. Some camp commanders are opposed to their program and others favor it and they still need the authority of the directive to reinforce their own position, so it occurs to me that before these 12-month boys are discharged and sent home that we really get this program into operation. By reason of the fact that we didn't have a plan we are just getting our U. S. O. buildings finished and by reason of the fact that we didn't have a plan we are just getting our guest and hostess houses finished, and our recreational halls and our gymnasiums, but some of them won't be ready until the year is up, and that is unfortunate.

Your agency is doing a good job, even with a late start, even with an inadequate amount of money, but I still believe that we have the talent, we have the facilities, although they are not as adequate as they might be, if only instructions were issued for them to be put in operation immediately. That is all I had. That will be all, General, and we appreciate your presence here this morning. If you have anything further to go in the record we will be glad to receive it.

General OSBORN. I have a historical count of Morale Branch's present operations and of the divisions and services, if you would like to have them in the record.

(The documents referred to were marked Exhibits Nos. 326 to 329" and are included in the appendix on pp. 4162-4197.)

Acting Chairman MEAD. We will appreciate it.

General OSBORN. I have some of the manuals on amateur theatricals which we have been active in developing, the song book, and shortly we will have the athletic manual.

(The manuals referred to were marked "Exhibits Nos. 330 and 331" and are on file with the committee.)

Acting Chairman MEAD. I have here a statement from Mr. Charles F. Palmer, the Coordinator of Defense Housing, which has been submitted by him to the committee with a request that it be inserted in the record, and at his request we will have it inserted in the record.¹

Acting Chairman MEAD. The committee will now adjourn until Thursday of next week, when we will hold hearings on copper, lead, and zinc production. That will be all.

(Whereupon at 12:20 o'clock a recess was taken until Thursday, December 11, 1941.)

¹ Appears in Hearings, Part 8, appendix, p. 2849.

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

THURSDAY, DECEMBER 11, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:40 a. m., pursuant to adjournment on Friday, December 5, 1941, in room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman), Carl Hatch, James M. Mead, Joseph H. Ball, Harley M. Kilgore, and Ralph O. Brewster.

Present also: Senators Edwin C. Johnson, Colorado; Abe Murdock, Utah; Mr. Hugh A. Fulton, chief counsel; Mr. Charles P. Clark, associate chief counsel.

The CHAIRMAN. The committee will come to order. Mr. Riskin will be the first witness. This committee has been somewhat alarmed at the falling off in production of copper, lead, and zinc over the last 10-year period and particularly were we somewhat distressed that the production of lead this year will be the smallest since 1926, I believe. It will be smaller than last year, and the production of zinc, while it is greater than it was last year, is still under the former production figures for 1926 and the years following that. There has been a gradual decrease in domestic production in all these strategic metals, and what this committee is particularly interested in is to find out what the cause of that decrease is and what the remedy is to get production back to the point where we can domestically produce the necessary strategic metals for use in the present emergency. We have got to have these metals to win this war. That is what we are interested in, to see that the war is won and won as quickly as possible.

Mr. Riskin, will you take this seat right here?

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, in the testimony you are about to give before this committee, so help you God?

Mr. RISKIN. I do.

The CHAIRMAN. Be seated, Mr. Riskin, and give your name and title to the reporter, please.

TESTIMONY OF BEN RISKIN, DIRECTOR OF RESEARCH, INTERNATIONAL UNION OF MINE, MILL, AND SMELTER WORKERS, CONGRESS OF INDUSTRIAL ORGANIZATIONS, WASHINGTON, D. C.

Mr. RISKIN. My name is Benjamin Riskin. I am the director of research of the International Union of Mine, Mill, and Smelter Workers. I am stationed in Washington.

The CHAIRMAN. Mr. Riskin, you had a statement and an outline which you wanted to lay before this committee. I would appreciate it if you would put that before the committee as intelligently and briefly as you possibly can.

Mr. RISKIN. I will be glad to do that. I have sent to you already a couple of copies and I am getting other copies for you now, for the other Senators on the committee, of a program for production of the vital nonferrous metals. This program was submitted to the President of the United States as a contribution of our organization in a positive fashion for the all-out production that is necessary for our victory over the Axis Powers. Our union feels that the time for discussion over what took place, over the failure, is past; that every American must rise to meet the dark emergency that confronts our Nation, our liberties, our lives.

The American people must answer strongly and quickly the attack upon us. We must join with our allies in Britain, the Soviet Union, and China, and with all the other anti-Fascists throughout the world everywhere to guarantee the absolute destruction of the Fascist Axis. And in this fight, the battle for production assumes new significance. In the effort to outproduce the Axis Powers, to turn out the huge quantities of materials of war which will guarantee our victory, labor's role is fundamental.

The International Union of Mine, Mill and Smelter Workers recognizes its responsibility to our Nation in this crisis. Even before the outrageous attack by the Japanese partner of the Axis upon our peaceful Nation, it had become evident that the democracies of the world were faced with serious shortages of vital base metals, the raw materials for war. The measures taken to date fall far short of the needs even of all-out aid to our allies; today obviously all past concepts of our needs, all past concepts of the sacrifices we must make, fade in the face of reality—we know now we must exert every energy, use every bit of knowledge, every production trick, to produce in quantities never before dreamed possible.

Toward this end, our union has prepared this program and stands ready to participate in the true essence of national unity with management and government to guarantee our final victory, and we are offering this memorandum to this committee, as we did to the President, not as a complete panacea for the problems involved, but more as a new approach to this whole question.

I would like to call attention to the fact that our own whole program discusses the industry on a national, integrated basis, because our union is the only national organization of labor in the entire non-ferrous-metals industry starting at the mines, following through the mills, the smelters, the refineries, and the primary fabricating plants, and for that reason we see the picture on an integrated basis.

Before going into our recommendations, Senator, I would like to summarize the broad measures already taken by industry and the defense officials. Generally speaking, there were six measures taken thus far: (1) The importations of available supplies, as from the South American mines; (2) sympathetic assistance to the industry's pressure upon labor to work a 6-day week; (3) curtailment of existing fabricating plants handling consumer goods, so as to save raw materials for defense needs; (4) large-scale expansion of fabri-

cating capacity for defense production; (5) the use of price increases as an alleged incentive to greater output; and (6) finally, loans to mine operators for expansion of existing properties.

Of these six steps, broad approaches to the problem, only the first and the last steps, namely, the importing of copper from South America and loans for expansion of properties here, only those two steps really serve to increase supplies of needed metals.

All the other measures clearly demonstrate a failure on the part of the individuals and agencies involved to get at the root of the problem—to increase production of the necessary metals.

We find, therefore, curtailment of existing fabricating capacity, side by side with large-scale expansion of new fabricating capacity—an obvious and absurd paradox; moreover, a complete evasion of the essential task of expansion of capacity at the very start of the industry, at the mine.

“Put first things first” has become a well-worn phrase around the defense offices, but first things have not been put first in the consideration of this major problem confronting our Nation, and briefly, as an over-all attitude, our organization contends that prices do not mine ore and will not bring rock to the surface; that expansion of fabricating capacity in our industry will not bring more rock to the surface; curtailment of existing capacity will not bring more rock to the surface; and that since no other major approach has been made to this problem either by the Federal agencies or by industry itself, no more rock is going to be brought to the surface until and unless drastic and immediate changes are made in the entire program for production.

More rock will be brought to the surface, more metal recovered, only if the miners, the smeltermen and other workers in the industry become an integral part of the whole production picture, and, therefore, basic to this entire discussion is the understanding that there can be increased production starting at the mines, only if conditions of labor are improved by the various means to be suggested to make it possible for men to produce more rock and get it to the surface.

Now, our recommendations, Senator, cover some 27 pages, and I have a sort of brief of this which I will refer to, and if you and the other members of the committee would like further explanation, I will be glad to go into greater detail.

The CHAIRMAN. We will make this brief of yours a part of the record.

Mr. RISKIN. All right.

(The document referred to was marked “Exhibit No. 332” and is included in the appendix on p. 4203.)

NECESSITY FOR SURVEY OF EQUIPMENT AND PRODUCTION CAPACITY OF MINES

Mr. RISKIN. In the place of the measures already discussed, our union offers the following basic points:

First, we must have an industry-wide inventory. Strangely enough, over the period of time of the defense program, neither the industry nor the Government has assembled a completely detailed and comprehensive summary of our industry's capacity and equipment. Now, it is terribly hard to figure out how much copper you are going to get next year if you don't really know how many

copper mines you can be working next year, and yet we find as a fact that there is no general agreement either in industry or in Government, no general knowledge, as to precisely how many copper mines can be put into operation immediately.

We suggest that we must ascertain the number of mines in operation, the present real capacity of those mines, at full-time operation, the number of miners at work, the potential capacity of those mines if new equipment were installed, the availability of new mines. Such information has never been assembled, with the result that very little is known about the production potentials, and there is no correlation between mine capacity and fabricating capacity.

Senator HATCH. May I interrupt you?

Mr. RISKIN. Yes.

Senator HATCH. It wouldn't be a great task to assemble that information would it?

Mr. RISKIN. I don't believe so, Senator.

Senator HATCH. Do not most of the mining States have their schools of mines and their geological services where they keep right in touch with that situation?

Mr. RISKIN. Yes.

Senator HATCH. I have before me right now a report made to the Governor of my State on strategic minerals in New Mexico, a very extensive report, and giving most of the information that you are discussing there now.

Mr. RISKIN. Yes.

Senator HATCH. And I imagine in most of the mining States you could obtain similar information.

Mr. RISKIN. There are so many angles to this, you see. First of all, you have to determine what a copper mine is. Now, the Bureau of the Census uses a definition of a copper mine, and the Bureau of Mines uses a completely different definition of what constitutes a copper mine. The question is whether you are going to say that only the copper mines, that is, only those mines which the Bureau of the Census includes as copper mines, are to be taken into our National inventory, or whether all the mines that the Bureau of Mines considers to be copper mines are to be considered.

One of the reasons we say that this isn't a problem of copper alone, or of zinc alone, or of lead alone, is that our industry, as you know, Senator, is a complex one. The ores are complex ores; you will have lead and zinc in the same rock, or zinc and copper in the same rock, plus other metals. Therefore, to determine how much more copper we can get next year it is necessary to know the actual production of all the mines whether they are considered copper mines or lead and zinc mines or primarily zinc mines or primarily copper mines, you see, because we want every possible single pound of copper, of lead, and of zinc.

Senator HATCH. I am still of the opinion that if the facilities in the States were used immediately, the greater part of that information could be obtained without too much loss of time.

Mr. RISKIN. I feel the same way; I agree with you. I am glad you stressed that point, Senator, because I don't believe that these proposals that we are making are proposals that are impractical. I think they are all obvious, simple things which if done will help us meet this problem.

The CHAIRMAN. We have had some difficulty getting that information from O. P. M. I don't think O. P. M. has it, but I believe these agencies to which the Senator from New Mexico refers do have that information, and if it were gotten together we would have the answer to what you are stating there.

Mr. RISKIN. That is right.

The CHAIRMAN. Go ahead.

Mr. RISKIN. I would like to point out that unless one has, unless our Government has, this coordinated picture of what the industry is, how many production units there are, or how they can be used, or what is needed to use them at maximum efficiency—unless you have these basic factors to work with, you are liable to get into an awful lot of trouble and pull a lot of obviously incredible moves. Now, I would like to give one instance of what seems to be absolutely unexplainable.

Defense officials a year ago faced an industry situation in which our fabricating capacity, brass fabrication, was greater than mine output from both domestic and foreign sources under existing production techniques; that is, our brass mills could produce more brass than our domestic and imported copper and our zinc could meet; yet, without the slightest explanation of their action, the defense officials suddenly announced the granting of \$35,000,000 to the brass industry to expand brass production by another 79 percent, adding to its present 95,000,000 pounds of cartridge-brass monthly capacity another 75,000,000 pounds. There wasn't the slightest indication of concern in this step as to how the necessary copper and zinc supplies would be found to produce 170,000,000 pounds of cartridge brass if we cannot even meet the present capacity of 95,000,000 pounds. The results were inevitable. By early October defense officials were forced to issue an industry-wide order curtailing the use of copper for consumer goods in more than a hundred different uses, and by October 23 the War Department itself ordered major curtailment of shell cases because of overproduction of this vital defense article in comparison with loading facilities.

I think it is fair to assume that during November 1941, from our knowledge of the cuts in production, and the lay-offs, and the transfer to one shift instead of three shifts, not more than 70 percent of our present brass capacity was being utilized.

The CHAIRMAN. They were doubling the capacity, were they?

Mr. RISKIN. Seventy-nine percent new capacity is being added.

The CHAIRMAN. And still we can't use the 100 percent that we have got.

Mr. RISKIN. We feel that this thing is scandalous and inexcusable. We feel that shows lack of plan and is the result of no integrated picture of the industry from beginning to end, and the capacity of one end of the industry as compared to the other. We feel, as we will point out later, that if the \$35,000,000 were available from the United States for expansion in the industry, it should have been used where expansion is necessary, precisely at the base of all these operations, at the mines for increasing mine output, and we would have more raw materials.

Senator HATCH. Of course, that is what some of us from the Western States have been contending.

Mr. RISKIN. I agree with you there.

Now, in order to make full use of our industry's resources, there are two major sources of additional production which must be immediately brought into operation. First are the mines which were shut down during the depression and never reopened; second are work places in the mines now not being exploited. Now, according to the Bureau of the Census, which I think has a fairly good definition of what a copper mine is, there were 180 operating copper mines in 1929; by 1939 there were only 49 mines producing copper—49 copper mines, so-called, and the total output of recoverable copper had dropped 28 percent below the 1929 figure.

In lead and zinc, the mines had dropped over the same period from 375 to 254.

Incidentally, in iron ore the same was true; 208 iron-ore mines in 1929; only 174 in 1939.

Certainly it is worth while surveying this particular field to determine how many of the 131 copper mines that have been shut down since 1929, how many of the 121 lead and zinc mines, how many of the 34 iron-ore mines, stopped because of depletion; how many stopped because of the general economic collapse, but are still potentially productive.

Now, obviously, Senators, a certain amount of capital expenditure may be necessary to bring these mines back into productivity—we may need new equipment, we will have to reopen shafts and do other things. But it would not be correct to assume merely because the mines closed down during the depression when prices were low and there was no demand for their raw materials, that they cannot operate or that they are marginal mines or high-cost mines. They may be very good mines but simply haven't gotten back into production. Their production wasn't needed.

FAILURE OF CERTAIN MINES TO OPERATE AT PRESENT CAPACITY

Mr. RISKIN. In addition to this problem, there may be found throughout the industry specific instances of failure to operate at capacity in the mines which are operating. Now, we have had our members in the field submit to us, our national office, instances of where there are mines operating not at capacity, and I will give you two or three.

The CHAIRMAN. I think you ought to give us a large number of those if there is a large number. We want those for the record.

Mr. RISKIN. The Bunker Hill & Sullivan Mining & Concentrating Co., an important lead and zinc producer in Idaho, owns the Bunker Hill mine and operates on one shift. This was as of a week or two ago when I received the report. This mine has 23 levels, of which levels 10, 11, 12, 14, 15, and 16 are not being worked. Developmental work is being carried on in levels 13, 17, and 19.

Ore reserves, according to a public statement by the president of this corporation about a couple of years ago, are indefinite. The levels mentioned have stopes, drifts, and numerous work faces that carry rich ore bodies. This company has two mills, the south mill and the west mill. The south mill, with a capacity of 600 tons per day, is now idle. The west mill, with a capacity of 1,200 tons a day, has added a new department which is supposed to increase the capacity of

the mill by some 600 tons per day. This mill is not working at capacity.

The same company has one smelter with a capacity of 350 tons of lead per day. It is now turning out about 195 tons of lead per day.

The company operates at capacity when all three of its blast furnaces are working full time. Its No. 3 blast furnace has about the same capacity as No. 1 and No. 2 combined, but the No. 3 furnace is not operating.

The Douglas mine, owned by the Douglas Mining Co., has four levels.

Senator MURDOCK. May I interrupt you there?

Mr. RISKIN. Yes.

Senator MURDOCK. You spoke first of Bunker Hill Mining Co., and now of the Douglas Mining Co. Have you any information whatever on the interest, if any, that your big copper companies have in the particular mines that you have mentioned there?

Mr. RISKIN. You mean interlocking directorates, and so on? Not in this specific case, Senator Murdock. We do, of course, have the financial break-downs of the major corporations in the field which have been made available to Government study, and so on, but not in this particular instance. I don't know, myself, of any direct relationship between Bunker Hill, for instance, and Anaconda, or Phelps-Dodge, if that is the point.

The CHAIRMAN. Where is this Bunker Hill mine?

Mr. RISKIN. In Idaho.

Senator MURDOCK. May I ask this? Just what is their system of mining? Is this a fissure vein that they are working on?

Mr. RISKIN. Senator, I couldn't tell you that. I don't know the mine at first hand. My report from the men was along these lines: Do you have in your mine, regardless of the mining technic, available levels that are not being used, available work places on levels that are not being used, available reserves that should be exploited now? That was the way in which I went at the problem.

Senator MURDOCK. The reason I asked the question was this. In our hearings at Salt Lake City about a month or 6 weeks ago, it was stated by Mr. Snyder, of Salt Lake City—

Mr. RISKIN. I know Mr. Snyder.

Senator MURDOCK (continuing). That he expected in the near future many fissure vein mines to close down, and pointed out at the fixed price at that time, mines like the Utah Copper would be able to carry on at the price fixed for copper, but fissure vein mines would of necessity have to close. Have you any information on that?

Mr. RISKIN. Oh, yes; I see the question now. In that sense, the Bunker Hill & Sullivan is an underground operation rather than an open-pit operation. I am sorry I misunderstood your question.

I would like to go into that part of the question in some great detail. I think here, if I may be so bold, is where the union has a contribution, the question of the relationship of price to purchase and production problems, and I deal with that at some length later, if you don't mind.

Senator MURDOCK. That is all right. I do think that is important, however, to make that distinction.

Mr. RISKIN. I agree with you.

Senator MURDOCK. And if it is true that we have many fissure mines in this country that can't operate at the present price, that certainly we should look into that phase of it.

Mr. RISKIN. I will take that up.

The Douglas mine, which I just mentioned, has four levels which are said to contain the best zinc-ore bodies in that district. It has all the necessary equipment and a camp for operations. Today there is a watchman taking care of an idle camp. We should know, it seems to me, if the Douglas mine is being kept as a future reserve for the company instead of operating for our national victory today.

The Federal Mining Co. owns and operates the Morning mine with two shifts. It has four levels currently operating and producing lead and zinc. The miners assert that in levels such as 2,400 and 3,000 feet, the company is employing only enough men to keep the places open, producing almost no more, even though these places carry good commercial grades of ore and production could easily be increased substantially.

The Morning mill currently averages 18 trains a day with about 20 tons of ore per train. A year ago, according to the men, the mill averaged 22 trains a day, or 80 tons a day more than it now handles.

In the rich Butte, Mont., mines of the Anaconda Copper Mining Co., monthly copper production has declined about 2,000 tons a month in the last few months as compared with the average monthly output during the first half of this year, our local leaders report.

Senator HATCH. May I interrupt you again?

Mr. RISKIN. Yes.

Senator HATCH. What explanation do you have for that decline? Did you go into that?

Mr. RISKIN. I am glad you asked that question because from labor's viewpoint there have been no stoppages, no slow-downs, no strikes, no labor trouble whatsoever that would have warranted or explained, from that easy way out, a cut in production. Now, Senator, I have a number of ideas about why there is a slow-down in production throughout the industry that you referred to. These, however, are interpretations on my part and not factual, and I think in a body of this sort perhaps such interpretations should be kept rather than expressed as facts, because the things I give here are not personal interpretations, they are factual statements of what we think can be done.

Senator HATCH. Do any of your facts, aside from the interpretations, give any explanation of that?

Mr. RISKIN. Yes. I have an over-all industry picture which I personally feel—but that doesn't enter this problem.

Now, I would like to mention one more shut-down or one more lack of production which I think is very important for this committee's consideration. It is a different example entirely, but it is equally valid as an instance of failure to produce in the face of our needs, and that is the shutting down of the Walker mine in California by the Walker Mining Co. directors, because the company couldn't show profit at 12-cent copper.

Now, our union does not dispute the facts of the losses incurred by the company, but it does want to point out this: This company lost money in 1935, 1936, 1938, 1939, 1940, but it operated all but 6 months in all these years.

The average price of copper in 1935 was 8 cents a pound; in 1936, less than 9½ cents; in 1938, 11.296; but in 1941, with copper constantly about 12 cents (Connecticut Valley), the company shut down.

In 1940, when copper was 11.296, the Walker mine was willing to work at capacity and lose money. The price was lower than today when Walker shut down. Now, we are not questioning the company's losses. We do say it is interesting to note that in Poor's Industrial Manual for 1937, Walker's cost of production of copper per pound sold, after credit for silver and gold in the ore and with the cost of smelting, freighting, and refining added, was estimated at 9.399 cents a pound. This is mentioned because we have been advised that Walker's cost of production is estimated at 20 cents a pound.

Now, frankly, Senators, I suppose that any company can say that its costs are anything, because I sat here a year ago when Senator O'Mahoney's committee was holding hearings on cartels in copper¹ and when Mr. Cornelius Kelly of Anaconda Copper said in his testimony that, well, you can't tell what the costs of production are; it all depends upon the bookkeeping system you use in that particular company. I am merely reviewing this fact, that here is a mine that is closed down when we need copper.

Now, in 1940, Walker produced more than 10,500,000 pounds of copper. That mine is shut down. Our Nation needs that 10,000,000 pounds of copper now. We feel that that mine should be put back into operation. The paramount thing is copper production.

USE OF MULTIPLE SHIFT OPERATION

Mr. Riskin. Now we get to the point that you raised. What is the answer to the question of drops in production instead of capacity production, and how can we change this trend in the industry?

The union has this dynamic approach to the problem. We feel that today we shouldn't be talking in terms of putting labor to work 6 days a week, for reasons I will explain. We feel that today every single production unit in the industry must operate 7 days a week, 24 hours a day, and anything that is under that is less than maximum capacity. We start with that fundamental approach, with that objective, with that goal, and we see how we can try to reach it and what interrupts this goal.

Inseparably bound to the question of capacity production is the need for unbroken operations and for putting an end to conditions which result in the astonishing turn-over in the working staff. We hold that our national crisis requires drastic overhauling of views and technics and that industry, government, and labor should work together to bring about that continuity of employment and production which will eliminate not only week-end black-outs but day after day black-outs in our industry.

Now, I think it is fair to say that mining operators and defense officials have repeatedly brought pressure on our union and our membership to work a 6-day week.

Our union cannot understand why employers should want to pay for 12 hours' work for only 8 hours' production on the overtime day; nor why Government officials should support that position.

¹ Hearings before Temporary National Economic Committee.

Payment of 12 hours' pay for 8 hours' production will not mean bringing 12 work-hours' more copper, lead, or zinc to the surface. This will not produce for our Nation, therefore, the metals which we must have. It merely means that the operators will be able to use this increased labor cost as (a) an excuse to win exemptions from the penalties of the Wage-Hour Act by getting permission to work 48 hours without overtime (still, it won't produce more); or (b) an excuse to get O. P. A. to agree to higher prices for the metals for 6-day, overtime production.

Now, why should the United States Government be forced to pay more for metals without getting more metal for national defense? Why should the Government be party to paying higher prices without increased production—a price based on 12 hours' work for only 8 hours' output?

Countering this illogical and unproductive measure is our proposal that the basic 8-hour day and 5-day week be maintained, with over-all operations expanded not to a mere 6 days, but to 7 days, 24 hours a day. And I want to repeat here that we realize this is a goal, that it cannot be achieved immediately. It can be adopted and realized only after certain of the measures we are discussing now have been taken into consideration.

The CHAIRMAN. In other words, you would increase the shifts, have more shifts of 5-day workers?

Mr. RISKIN. That is right. Under present conditions in most mines, we can't work on a 3-shift basis, for reasons I will explain. In some cases, the 3-shift technique may be used in a modified form, as in three 6-hour shifts to permit the air to clear; or in two 8-hour production shifts and three service shifts so that the production men may work at top speed while they are working.

Now, in making continuous operations possible, two problems are interlocked and inseparable—the essential technical, engineering needs and the improvement of working conditions.

In one of the world's largest mining camps, a recent survey revealed the amazing fact that half of its 5,000 workers on the pay roll worked less than half the month. These are regular employees, mind you, Senator. These are not men who come and leave the camp. Of the regular pay roll of 5,000 men, more than half the men worked less than half the work-month.

Yet in this camp, the management's major campaign has been to put its workers on the 6-day week—apparently indifferent to the fact that even under a 6-day week, if the same turn-over continued, the company would actually be getting an average of 3 days' work per man, more than 50 percent of the men working less than 50 percent of the time.

The same solutions which would bring about a greater continuity of employment in the regular and present work-shift would make possible the complete operation of the camp on a full time 24-hour-a-day, 7-day-a-week basis. Under no other conditions is an unbroken production schedule possible, and under no other conditions is efficient production possible even under our present single-shift basis.

So then we come now to our practical proposal. Is this too lengthy?

The CHAIRMAN. No, sir. Go right through. This is information we want in the record. I don't care how long it takes; give it to us so that we can understand it.

Mr. RISKIN. We urge first the use of multiple shifts.

Various mine operators continue to assert that mines cannot be operated on a multiple-shift basis. But multiple-shift operations may be found in every type of metal mining, and idle mine capacity today is undoubtedly just as wasteful, if not more wasteful, than idle plant capacity.

The Bureau of the Census had a report of the mineral industries copper ore for 1939:

The 49 copper mines then operating—22 operated on a 3-shift basis, 15 on a 2-shift basis, and 12 on a single shift. Virtually all copper-concentrating mills operated 3 shifts.

However, most of the employment in mining and milling was during the first shift. Of the total number of man-shifts worked at mines by wage earners, 66 percent were worked during the first shift and only 5 percent of the man-shifts were working the third shift.

The corresponding percentages for the mills were 67 percent for the first shift and only 16 percent of the man-shifts on the third shift.

Senator KILGORE. Could I ask a question just there?

Mr. RISKIN. Yes.

Senator KILGORE. In the metal-mining industry, can one work shift succeed another one or must you run a service or clean-up shift after each work shift?

Mr. RISKIN. That is why, Senator, I said in some cases it might be necessary to have two production shifts and three service shifts, that is, having the service crews working 24 hours a day through and the production shifts working only 16 hours of the day, so that the servicing could be continuous and production could be at top speed during the production shifts. I mean that all depends upon the particular mine and the particular conditions, and the speed with which new equipment can be provided for those mines that cannot now operate three production shifts directly.

Now, I would like to point out that these questions of multiple shifts aren't true only of copper, that a similar study of the lead and zinc industry showed exactly the same trend. Twenty-eight percent of the mines and 67 percent of the mills operated on a 2- or 3-shift basis during 1939, but of the 254 mines in lead and zinc, 27 operated on a 3-shift, 43 on a 2-shift. Seventy-seven percent of the mine work-shifts were worked during the first shift and only 2 percent of the man-shifts were on the third shift. In the mills, 54 percent of the work shifts were on the first, and only 19 percent of the work shifts were on the third shift.

Now, what does this show? It shows three things, in my opinion. It shows, first, that multiple shifts—and I mean multiple shifts, even three-shift operations—are not only possible, but are common in the industry; secondly, that full utilization of the multiple-shift operations is not being made by the industry; and third, that, therefore, right here, obvious and great possibility for increased production is possible in the existing operating mines alone.

Why aren't we getting more production out of these mines? Why do we have this lack of capacity use of these mines and mills? To guarantee that a miner will remain at work, intolerable conditions of employment must be rectified. Again I would like to get this across, Senators. We are posing some of these coming points not solely from the viewpoint of improving the working conditions of

the men (that is important), but primarily on the basis that only through improving these working conditions can increased production take place, because unless we can make it possible for men to work in the mines underground a full 8 hours or a full 16 hours or a full 24 hours, unless we can get the men to work there, we can't get the rock broken. A major factor in this respect is that of ventilation.

On November 15, Senators, four miners employed at Butte, Mont., in the St. Lawrence mine of the Anaconda Copper Mining Co., Nick Butko, Fred Bugni, Charles Makela, and Charles Thomas, were suffocated to death at their workplace underground.

This tragic development is but the latest and most striking proof of the union's contention that adequate ventilation is essential. The four dead workers remain grim reminders that the men still alive, the half-suffocated men still working in the mines, cannot be expected to work efficiently and to produce as much as they could under normal working conditions.

This problem can be met. It isn't something that is simply incapable of solution.

In Arizona, the Engineering and Mining Journal reported in its last month's edition about Magma Copper Co., in Superior, Ariz. Magma Copper has just installed three new 140-ton centrifugal machines to provide air-conditioning down to the 4,600-foot level in its Superior Arizona mine. This is its third extension of the original air-conditioning system which was installed first in 1937. As a result of this installation, Senators, temperatures in the deepest working places will be cut from 150° to 90° and permit increased copper output.

Now, as a union man, I will say it is too bad they didn't install a fourth unit and cut the 90° to 70° and make it still better for the men to work, but that isn't the point. The point that I am now making is that this shows that the approach is possible, that a company by itself can make this approach and can attempt to make a solution to the problem of ventilation in the mine.

Ventilating doesn't always require expensive air-conditioning units. In some cases, cutting more airshafts—more holes to the surface—so that fresh air can come into the mines and spent air can go out would be adequate.

Now, adequate ventilation and efficient fans in the mines become an immediate aid to increased productivity in two ways: First, fresh air and lowered humidity and temperature make possible more vigorous work by the individual miner in workplaces that are now difficult or impossible to work in. I think that is obvious. This would also do away with a great reason for "quits" and make possible mining in such levels where work has not been possible at all, as in the case of the Magma Copper mine just cited. Secondly, fresh air and efficient fan systems would clear the levels of the dust and the gas caused by blasting at the end of the shift and would thus permit the use of multiple shifts in the mines.

In other words, you see, this would not only make it possible for the men to work efficiently on the shift they are working on, but it immediately makes possible the use of more shifts in the mine, the two problems being settled by the one improvement.

At present, the main talking point of the operators against the multiple-shift system is that it is impossible for men to be sent to work after blasting on the previous shift. And that is true under present conditions.

Obviously, one argument against this proposal is the expense involved in the installation of such new equipment where holes cannot be punched through to the surface, and there are two answers to this.

First, if Magma Copper can do this in Arizona, so can Anaconda and Phelps Dodge, the important companies in the industry, for example.

The CHAIRMAN. Isn't that primarily a matter for the O. P. M. and the operators to work out. You can't expect a mine operator to make a big investment unless he is sure he will get the money back.

Mr. RISKIN. That is my other point. Aside from the financial ability of the operators, the second point is this—

The CHAIRMAN (interposing). It is up to the O. P. M. to work this thing out so that you can all get together and produce the copper.

Mr. RISKIN. Right. If the operators themselves can't do it or won't do it, if the Government wants to advance the money for such improvements to get the copper, the money is far more wisely spent here than \$35,000,000 for brass expansion when we don't need the extra brass capacity and when we can't meet the present capacity because we don't have enough copper, lead, and zinc, you see. That is exactly the point. Here is where O. P. M.—here is where Government, and labor, and management can decide where, if money needs to be spent, it should be spent to make possible expansion of primary production.

USE OF AVAILABLE LABOR TO INCREASE PRODUCTION

Mr. RISKIN. Another problem is the contract system. Many of the major operators in the mining industry have a contract system in their wage payments. I won't discuss here the various grievances which arise between the union and management on the contracts.

The CHAIRMAN. We have another board for that purpose. We want to find a way to get copper, lead, and zinc.

Mr. RISKIN. Right. But from the management's and the Government's viewpoint, the greatest weakness in the contract system is that it is the greatest single incentive to breaking down continuity of employment and of production. It is an incentive system which works backwards. I will tell you why.

The contract system theoretically encourages a miner to stay at work constantly, because he is supposed to get a wage higher than the base rate in proportion to the number of feet of rock that he breaks above an established norm. In practice, it is profitable for a miner to work only in those workplaces where (a) the temperature and humidity permit him to work full speed ahead all day long; (b) the nature of the rock allows comparatively easy results; and (c) the methods of servicing and access to supplies are conducive to efficient work.

Whenever any one of these prerequisites is missing, whenever the miner's ability to break rock quickly and to make a bonus on his breaking rock is interfered with, he quits his job, goes back to the surface, and rustles for another mine, getting a job in another level in another mine.

The record shows in the instance of that major camp I already referred to that among the regular employees there is a terrific fluctuation in the continuity of employment, more than 50 percent of the men working less than 50 percent of the month in this particular instance.

Let the operators explain to the Government which needs more mine output and to the public generally why this type of management is the best they are capable of demonstrating. For our part, in this one item alone lies one of the most important causes of the inefficient and unproductive nature of present mining operations.

The contract system, therefore, has to be modified to stop the pressure which forces men to quit their jobs rather than to continue working in a stoep in which they cannot "make their rate." When these men quit, no one profits—the company has no production, the man loses his pay, the Government loses its vitally necessary metal.

So that is another question which I think, through a logical and friendly conference such as you talked about of management, O. P. M. or Government, and labor, a problem like this can be settled. It isn't insuperable.

Basic to the multiple shift operations, of course, is the question of whether you are going to have enough men—the labor supply. Even in the face of unemployment figures in the hands of local, State, or Federal agencies, the operators continue to insist that they cannot get a sufficient number of skilled miners.

Checking with the Bureau of Labor Statistics and with the Census—I don't mean to break these figures down, but I will make the statement here that in copper, lead, zinc, and coal, about 130,000 skilled miners have been thrown out of jobs in the last 10- or 12-year period. Anyone acquainted with the mining industry knows that there is a constant interchange of miners from coal to metal and from metal to coal, from copper to lead and zinc, and so on. I mean they go all around the industry, and you will find miners of all types in every mining camp.

Not even the most extreme can argue that all the 130,000 copper, lead, zinc, and coal miners have died, have become too old, or don't want to work any more. Indeed, the "rustling lines" at the mining camps give first-hand proof of the availability of miners.

A serious factor which the Government must face if it agrees that every available skilled miner should be employed producing vital base metals is the practice of the operators in the important Southwest copper-producing area in refusing to hire experienced miners, known to be union members. Now, a few months ago, the Shattuck-Denn properties were flooded and had to close down. That released temporarily 300 skilled miners from that unionized property. When those men became available for work, the employment offices of Phelps-Dodge, Miami Copper, and Inspiration Copper shut down to avoid hiring the experienced union miners in the face of our defense requirements. I mean you have an open-shop situation there, and that is something which can't be met by scoffing at it.

That is an issue that has to be recognized.

Where the operators have accepted the union's cooperation, experienced unemployed miners have been supplied and production has been increased. I have a report, and this is from an iron ore mine situation in Bessemer, Ala., at the properties of the Tennessee Coal, Iron &

Railroad Corporation, and at the Bessemer and Irondale mines of the Sloss-Sheffield Co. in Bessemer, where the union proposed the hiring of "swing" men on all shifts to permit 6-day operations instead of 5, while retaining the 40-hour, 5-day week. The union furnished experienced miners for this work from its unemployed rolls. More than 500 men were so employed, and the resultant increased production balanced the increased furnace capacity in that area, which the company had built up as a result of the war program.

Another instance of our union's effort to encourage uninterrupted production through effective use of available labor is the work of our local committees to get our men not to lay off the day after pay day. This is a strange thing, perhaps, to raise, but anybody who knows mining camps knows that when the boys get paid they take a couple of days off. We have cut these decreases as much as 50 percent in the work shifts.

But even with miners available there are considerations which explain why some camps will not get men.

The Tri-State lead and zinc fields of Kansas and Missouri and Oklahoma have constantly paid substandard wages, 95 cents to \$2.50 a day below the industry generally. The Michigan copper range wage scale is between \$2 and \$3 a day below the industry rate. The industry average itself, which is a little above 80 cents an hour, is far out of line with the average hourly wage rates in coal mining and steel and auto and rubber and oil refining, the other basic industries of our economic structure which average around \$1 or more.

The result is that the skilled miners have obviously gone into other industries which pay higher wages. Now, remember, it has been commonly assumed that because of the hazardous and unattractive nature of the mining industry that miners got more pay. That isn't a fact, and as a result of that, a number of skilled workers, craftsmen, and so on, have deserted the mines for other industries. The operators will have to decide to meet the wage scales, not as a union question now of negotiation, but as a practical question of getting the workers that go to other industries where they can be used.

Now, there are other technical problems. There are numerous mining camps where housing is both inadequate and insufficient to permit increasing the working staff, even though miners are available. An illustration is the Mountain City Copper property in Nevada. The company prefers to work the miners on a 6-day week. The men work a 6-day shift because there are not enough houses there to house more miners. Therefore, you can't put in the multiple-shift operation; therefore you can't increase production.

The CHAIRMAN. Defense housing ought to take care of that.

Mr. RISKIN. Certainly. I say none of these problems are insuperable. This is a factual statement.

The CHAIRMAN. Let the defense housing move in a few trailers. They put them everywhere else.

Mr. Riskin. Experienced miners can be found throughout the Nation. The Michigan copper range is an area where unemployment has continued as a result of mine depletion. But no long-range or adequate guaranty has ever been proposed to these hundreds of miners available in Michigan that might get them to risk leaving their only known homes and friends to seek out new homes and new

jobs. I mean this question of transfer of men from one section where there is no work to other sections where their skill can be used is something, too, that is capable of solution.

In addition to the available experienced miners, we must take into account the new crops of young men in the mining areas and camps ready and eager to work, able after a little experience to become the experienced miners of the coming decade.

Now, we reach a number of other fundamental points, Senator. There are some mines in the country where the miner does every job; he drills, he blasts, he shovels, timbers, hauls his tools, and so on; each service part of his assignment taking away from his basic production job. There are other mines in which there is a degree of job specialization, where miners primarily drill and blast, others "muck" the rock, and still others do the necessary timbering. But in no mine has the whole question of work specialization been carried out in the most efficient manner possible. The operators have always worked on the assumption that if they can get one man to do more than one job at a time they are saving money.

In terms of total output and highest productivity per man-shift, as compared to, let's say, the Ford plant, the mining operators are of course an anachronism in industrial engineering and labor relations. The reason for this, I think, lies in the fact that mining operations have always been more profitable even under poor efficiency than factory operations, and that profits per worker tend to be larger in mining than in manufacturing, so that the pressure for this division of labor which manufacturers have always felt has, for the most part, been lacking in mining operators.

If special service crews were constantly available to see that the necessary auxiliary work was done, the miners could continue their production job without delay.

Aside from more efficient division of work and the other problems already touched upon is that simple question of servicing.

Necessary supplies and tools are too often either inadequate or difficult of access to the miner. In many mines, a miner has to carry his tools a considerable distance on foot underground; in others, long delays are incurred waiting for the ore trains to take the men.

Increased efficiency in these matters is sorely needed in all parts of the metal mining industry. We had iron ore miners in Alabama report a situation wherein some 80 handloading workers are forced to transfer the ore some 25 to 30 feet before being able to load the ore into cars. If the company would lay the tracks right up to the face, a job easily and quickly done, the men claim they could load six ore cars in the same time they now load three. In every case we are trying to give practical illustrations of what can be done.

Another problem is the haulage system, the taking away of the ore. A committee of our miners from Butte Miners' Union No. 1, go into some lengthy detail in describing why this haulage system is inefficient and how it can be simplified.

The CHAIRMAN. We will make that a part of the record. That has been introduced as an exhibit.

Mr. Riskin. Yes; that doesn't have to go in again. I would like to point out that in some instances, two, at least, at our union's request and insistence two companies added 100 cars each to their properties

and thus were enabled to have more efficient and more rapid haulage of their rock.

Another problem is the hoisting bottleneck. Some operators toss the question of multiple shifts aside with the comment that their hoisting capacity is too limited to handle all the rock that can be broken in three shifts, that they cannot get all the rock out through the small shafts in their mines.

Even in the cases where it is not practical to enlarge the shafts, to add new shafts, or to improve the hoisting equipment generally, this does not necessarily waive the possibilities of continuous operations.

There are some mining operations which operate 24 hours a day using two production shifts, but three service and hauling shifts. In cases where more rock can be broken per shift than can be hauled away through the shaft, the shaft can be operated three shifts a day while drilling and blasting goes on two-shift operations.

These, gentlemen, are some of the specific problems which we propose and which we discuss.

Senator JOHNSON of Colorado. May I interrupt to ask a question, Mr. Chairman?

The CHAIRMAN. Certainly.

Senator JOHNSON of Colorado. Mr. Riskin, in this study of under-production, have you given any thought to the destructive policy of taxation which has been adopted by the Government? Have you treated on that or made a study of that?

Mr. RISKIN. I tell you, Senator, I have concentrated this study, that is, the union has concentrated this study, on the practical question of production itself rather than on some of these other supplementary features, because, as a matter of fact, despite the taxation, despite the heavy increase in taxation, a review of the corporation profit returns will show that their profits had increased despite the taxes so that hasn't, to me, been an immediate problem.

Senator JOHNSON of Colorado. Taxation, of course, and production are tied so closely together, I don't see how you can avoid a study of taxation. For instance, why should an industry increase its capacity in one particular year three times, as you suggest there, when they know that the taxation policy of the Government will cause them to pay it all, mostly in taxes? They deplete their ore bodies in 1 year instead of taking a normal 4 or 5 years' time to do it. Isn't that one of the reasons that some of the mines are not operating at full capacity at the present time?

Mr. RISKIN. You raise a very important point.

The CHAIRMAN. I am going to ask Mr. Rice, the president of the United Smelting & Refining Co. to testify after you do, and I think he will take up that point very completely.

Senator JOHNSON of Colorado. I hope he does, Mr. Chairman.

Mr. RISKIN. I would like to say just this much in that respect.

The CHAIRMAN. Go ahead.

Mr. RISKIN. The Senator raised a very important question. Why should the mining operators deplete their ore, use next year's reserves, the reserves for the coming 3 or 4 years, right now, if they are not going to be able to make a profit out of it? Senator, our approach is this, that our Nation is at war and that we need every pound of rock that we can get on the surface. Now, I don't consider any

corporation as being justified in saying, "Why should I mine next year's copper now?" There is no such thing as next year's copper now. I say that every pound of copper we can get to the surface now, is this year's copper that is needed by the Government for its total defense effort. And I just can't understand the terms. By what God-given right have they to say that they are not going to use next year's or the year's after copper, lead or zinc today? Who gave them the rock? The United States Government has permitted them to mine those properties in the private fashion instead of taking them over. As far as I can see, they were public land once. And they have no right to assume that this is their rock and that they can decide when they are going to mine it, if the Nation needs it today.

Senator JOHNSON of Colorado. Haven't they a right, Mr. Riskin, to expect cooperation on the part of the Government? That is all they are asking.

Mr. RISKIN. And on the part of labor, and I am here to say that labor wants to cooperate with management and with Government on these problems, but the thing we want to cooperate for is getting rock to the surface for national defense.

Senator JOHNSON of Colorado. Yes; and you can't do it unless you have cooperation on the part of everybody, including the tax agencies of the Federal Government.

Mr. RISKIN. I say to you, Senator, that insofar as labor is concerned, by our coming here, you have had a chance to listen to me for about an hour. You haven't seen me destructively criticize either industry or Government. I think you will agree that labor here is offering constructive suggestions to show that it is willing to cooperate in this war effort of our country. And I say that in my opinion, if we are going to lick Japan and Germany, where the consideration is maximum efficiency for war purposes, in my opinion, my consideration can only be how are we going to get more copper, lead, and zinc out, more bullets, more tanks, more battleships, more airplanes. I can't think in any other terms but more production; I mean that is my problem. The companies may have the problem of taxation, and this is a question that should be handled through round-table conferences.

Senator JOHNSON of Colorado. I think labor has a great interest in confiscation just the same as the mine operators have an interest in it. I don't think you can separate yourself from the problems, from such problems as destructive taxation.

Mr. RISKIN. I don't say we can separate ourselves from that, Senator. I said that the emphasis of the union's discussion must be on increased production.

The CHAIRMAN. As quickly as you can, finish.

Mr. RISKIN. I will go through the rest very quickly.

Senator MURDOCK. May I ask this question?

Mr. RISKIN. Yes.

Senator MURDOCK. In connection with the statement I made a while ago coming from Mr. Snyder of New York City, that fissure vein mines would have to close down.

The CHAIRMAN. I wish you would answer the Senator's question before you quit.

Senator MURDOCK. The question is, whether or not there has been a material rise in labor costs which is resulting in the closing down of some of these mines.

Mr. RISKIN. I would like to point out that a survey made by the United States Government, Technology Employment and Output Per Man, has shown conclusively that despite increased wages per hour, the labor costs in the industries have declined. There is a regular trend there and the thing is definitely established. It isn't an opinion on our part. But labor costs have not increased, despite the increase in wages, in relationship to total cost. There has been a declining trend there because of your increased productivity of your mechanical introductions to the mine and so forth. But on the question of the increased cost, that plays a very important part in our analysis.

I would like to mention from the viewpoint of the men, that insofar as this whole question of new brass fabricating capacity is concerned—

The CHAIRMAN (interposing). Proceed. The reason I am anxious for you to get through is that it is absolutely essential that the Senators be on the floor at 12 o'clock. We can't hold much longer than 5 minutes more, and I want to say at this point that Mr. Nixon is ill and has sent his statement for the record. Just as soon as the Senate adjourns, we will hear Mr. Rice; I think I will be safe in saying at 2:30. We will continue the hearing at 2:30, but there is a possibility there will be another declaration of war on the Senate floor this morning and we will have to be there this morning.

RELATION OF PRICE INCREASES TO ACTUAL PRODUCTION

Mr. RISKIN. I will be through in just a few minutes. I would like to point out that this isn't going to end here. I would like to discuss the problem of priorities problems on our workers, how that can be avoided, what needs to be done, the fact that in a number of these cases, a lot of these problems can be handled easily without any national troubles at all, through elementary collective bargaining, and come down to the point raised by Senator Murdock. It is impossible to discuss the question of increased output of copper, lead, and zinc, as the Senators here have continued to raise the question, without coming head-on into the question of price.

Now I want to say this thing because of the history of wage and price relations in this industry. It is necessary for labor to make very clear that in our discussion of the price of this metal, we are basing our discussions solely on considerations involving production and the Government's purchase policies. Labor does not seek price increases to raise its own wages. In the past we had the sliding scale and wage payments in our industry, and any time that an emergency arose, management was able to say that labor is demanding higher prices in order to get higher wages. We want it clearly understood that this is not so. In the last year and a half, as a result of our convention position on the wage question, we have broken the backbone of this wage payment. We are getting in more and more of our contracts, wage payments for labor disassociated from price. We stress this so that it will be clear, labor does not seek price increases to raise its own wages.

Now, fundamentally, we maintain, of course, that prices themselves do not dig rock. Until the conditions we discussed are remedied, you wouldn't be able to get more rock. But there is a question involving price, three problems, three relationships. The nature of industry in relation to price, the time element in relation to price, the type of price increase that should be given. Now, your industry is a complex one as we agreed at the beginning. The question of a rise in the price of copper, zinc, or lead is complicated by the fact that none of these metals is isolated from, or independent of the others, as it is in coal. Metalliferous ores are complex ores, they contain all these various metals in some combination or other. If an over-all price increase is to be used to expand output, the Government must inevitably find itself in the position of meeting demands from the major operators in the industry for price increases for each of the different metals taken from the same ore. For example, O. P. A. on October 9, granted a 1 cent a pound increase in the price of zinc. On October 10, when reporting the price of zinc, the Wall Street Journal foreshadowed the fact that zinc and lead are mined together and there the producers, the operators, are going to ask for a price increase in lead because too often there is more lead in the rock than zinc and therefore the lead producers aren't getting a good break.

On October 18 the Wall Street Journal reported the copper industry wanted the same treatment as the other nonferrous metal producers were going to get, a straight line advance in prices. Now, that is a problem which I must discuss in a minute. Here I would like to point out simply that mine operators having zinc lead mines, or zinc copper mines, are pressing for straight price increases on the lead or on the copper in their ores, having already received a 13 percent price increase on the zinc in the same ore, ore that is dug from the same rock, by the same work shaft, using the same machinery and same operation.

The operators, be it noted, don't argue that since their particular ore has more lead than zinc they should therefore be given a higher price for the lead alone, and not receive a higher price for the zinc, no; they want higher prices for both metals, they want to get paid twice for the same rock.

Now, it must be understood that the producers who supply the great bulk of the nonferrous metals in our nation and exert the major influence in the industry, are tightly integrated concerns dominating copper, zinc, and lead production and distribution as well as fabrication.

Thus, having won an over-all price increase in zinc, the major operators return to Washington again in their capacities as lead producers and ask for the same treatment that the zinc producers got. Going out of one door, they return to O. P. A. through the other door, this time in the guise of copper producers and demand the same treatment as the zinc and lead interests.

This, then, is one consideration that we have to weigh when we talk about price changes in nonferrous metals. Just how many times should the United States Government pay any one company for the same piece of rock without in any way guaranteeing increased output?

Now, the second factor, the time element in relation to price. Indicative of the gamble involved in giving a price increase to win more

production is the fact that in the important tri-State lead and zinc producing area of Kansas, Missouri, and Oklahoma, the press statements, official statements of the Tri-State Zinc and Lead Ore Producers Association, when they dealt with the announcement of the price increase in zinc, announced significantly, that this price increase would not permit increased production, that it would permit merely the continuance of the present scale of operation and that if the Government wanted more production, it would have to raise prices still further, this in view of the fact that the eight and a quarter cent a pound zinc price not only is 13 percent higher than the price was before it was raised, but is the highest price since January 1926, the highest for any month in 15 years, and higher than any average annual price since 1917.

We have a right to know, in view of such a generous price policy by O. P. A. we have a right to suggest that O. P. A. should demand to know of the industry just when the Government will get increased zinc output, as a condition of keeping that price increase they have got. We raise this question because the operators assert that a price increase by itself is not sufficient to bring forth increased production, since they must know how long they can count on enjoying the increased price in order to be able to decide how much they are willing to spend on expanded production. Since no guarantee was given by O. P. A. of the duration of the price increase, there is little ground to hope that the operators will take any widespread measures to enlarge that productive capacity.

The final point is the type of price increase. Even after we consider the duplication of prices for the same metals and the same rock, and the guaranteed period for price increases is disposed of, the type of price increase remains a problem.

Granting for a moment that we have to buy the cooperation of the operators for increased production through a price increase, price officials must decide whether to give a price increase on a straight-line basis or in the form of a subsidy for increased production only. Now, O. P. A. has taken two steps already along these lines. In the case of the Michigan copper country, high-cost marginal producers were given an over-all price increase for their total production, and then again in the case of the zinc producers, an industry-wide price increase for all production was granted. From the production viewpoint, which is the only viewpoint our organization is interested in, an over-all price increase is not the answer to increased production. Let it be repeated that such increases as have been mentioned were given by O. P. A. without any guaranty in return from the mine operators that production would be increased. The mine operators were in no way requested or committed to undertake any changes in production technique, in quota, in complete utilization of their properties and equipment. Actually the mine operators were merely given more money for their identical output.

I would like to point out this to you, Senators, a number of you coming from the mining States and knowing the mining industries, it is important to note that this is an industry in which the operators are able to take advantage of higher prices by mining lower grade ores, leaving their rich ore in the ground for the future, when prices may be lower.

No price increase, it seems to us, should be given except deliberately and directly as payments for additional production to each individual producer for an amount above an established quota. In the case of proved high-cost, marginal producers, an outright subsidy may be permissible, supplemented with a guaranty that it may be maintained long enough for 2 or 3 years to enable the producers to make the improvements and investments necessary and possible only under long-term operations. But the operators should be made to guarantee that these steps will be taken.

Thus used, the price increase becomes a direct payment for each and every producer for a production above and beyond present levels. It would not increase profits for copper already being profitably produced at 12 cents. This is paying for what you get, not for a promise.

And now, Mr. Chairman, basic to this whole study was the fact that there could be increased production starting at the mines, only if conditions of labor are improved by the various means suggested to make it possible for men to produce more rock.

It is our firm conviction that the best guarantee of capacity operation is complete cooperation of labor in this victory effort, a cooperation given wholeheartedly by us and wholeheartedly accepted by management and by Government, and our organization has proposed to the President of the United States the creation of a general Nationwide nonferrous metals victory production committee of labor and management and Government to blanket the entire industry with all its problems and the creation on a local scale of mine production committees or plant production committees to deal with these problems right down there at bedrock, such committees to be joint management-union committees, personnel to be selected on a plant or mine basis by the management and by the union, Government-approved engineers to be assigned immediately to all the mines; the major mines to cooperate with these mine production committees in the key mining camps and to decide upon what measures ought to be taken right away; the local committees to function and to gear their work through this national nonferrous metals victory production committee.

Our union has set up this committee and awaits merely the request of the Government to come in and to start work with them. We offer you any cooperation in further questioning or explanation of our problem.

The CHAIRMAN. At this time the committee is going to have to take a recess until 2:30. I would appreciate it if you will come back at that time so that the Senators may question you if they desire.

The statement of Mr. Nixon will be printed at this point, together with his letter.

(The documents referred to were marked "Exhibit No. 333" and are included in the appendix on p. 4217.)

(Whereupon the committee recessed at 11:55 a. m. to reconvene at 2:30 p. m.)

AFTERNOON SESSION

The committee reconvened at 2:37 p. m., Senator Truman presiding.

The CHAIRMAN. The committee will come to order. Mr. Riskin, will you continue?

Mr. RISKIN. I am involved in negotiations with the Phelps-Dodge at the Conciliation Service Office as soon as I can be free here.

The CHAIRMAN. At what time?

Mr. RISKIN. It was recessed to allow me to come here.

The CHAIRMAN. I wish you would wait until some of the Senators come in because they want to ask you some questions, all right.

Mr. Rice, will you be sworn? Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God, in your testimony before this committee?

Mr. RICE. I do.

The CHAIRMAN. Mr. Rice, if you will give your full name and connections to the reporter for the record; will you, please?

**TESTIMONY OF NEIL W. RICE, PRESIDENT, UNITED SMELTING,
REFINING & MINING CO., BOSTON, MASS.**

Mr. RICE. Neil W. Rice, president of the United States Smelting, Refining & Mining Co.

The CHAIRMAN. Mr. Rice, you are president of the United Smelting, Refining & Mining Co.?

Mr. RICE. Yes, sir.

The CHAIRMAN. Have you any comments to make on the metal situation, particularly as outlined this morning by Mr. Riskin?

Mr. RICE. Well, there were just a few high spots that I picked up as I was listening this morning. I haven't had a chance to see anything.

The CHAIRMAN. If you have any further comments that you want to make for our record you are perfectly welcome to make them in the record, as they will be in the record as published.

Mr. RICE. In the first instance, I thoroughly agree that mine production is the fundamental question involved.

The CHAIRMAN. We all agree to that, I think.

FAILURE OF CERTAIN MINES TO OPERATE AT PRESENT CAPACITY

Mr. RICE. A question was raised of reopening old mines and a comparison made of the number of mines operating today as compared with mines operating in 1929, I think it was. Since 1929, business has been poor, prices have been low, and there has been very little incentive to the mining industry to find new mines. Many of the mines that were operating in 1929 have died a natural death. A mine has so much ore in it and when it is worked out, it is worked out and the mine is closed down. I think that is part of the picture of the reduction of the number of mines operating. If you had low-grade property and low prices and not much demand for metal and some of the old mines were shut down and filled with water, they are not worth reopening. I think the picture was painted this morning of two or three hundred mines, whatever it was—I have forgotten the figures—operating in 1929 and maybe only 60 percent of them operating now. Just in itself it doesn't mean that those mines could and should be reopened. Each mine is a separate question. It may not be a mine any more; it may only be a hole in the ground.

The question also was brought out that in some of the mines certain levels were not being worked, certain working places were not operating. That is a question of and by itself and I don't think necessarily means that that property can produce more ore.

The CHAIRMAN. Well, how do you account for the fact that there is a smaller tonnage of lead and copper mined this year than last? That is particularly true in certain mines, but it is true also of the whole picture.

Mr. RICE. Well, the copper situation I don't know very much about. I think the lead-zinc production——

The CHAIRMAN (interposing). Well, there is an increase in the zinc production, but a decrease in the lead production. They usually come out of the same hole.

Mr. RICE. Well, not altogether.

The CHAIRMAN. No; that is not true in Missouri, particularly south-east Missouri. It is true, though, in the tri-State district, down in southwestern Missouri and Oklahoma, lead and zinc come out of the same hole; in southeast Missouri it doesn't.

Mr. RICE. But the zinc is higher than the lead down in that country.

The CHAIRMAN. That is true.

Mr. RICE. Whereas up in Utah, for instance, the lead is generally higher than the zinc.

The CHAIRMAN. That is true.

Mr. RICE. I think the production of ore in Utah has dropped some, whereas the production of ore in the other places has come up.

The CHAIRMAN. That isn't true in southeast Missouri. The production of lead in southeast Missouri, the biggest mine down there, was fewer tons this year by 40 percent than last year.

Mr. RICE. Well, I can't answer that question because it is not one of our mines.

The CHAIRMAN. I thought maybe you were speaking for the industry.

Mr. RICE. No, sir. On this question here I have no prepared statement and I didn't know I was expected here until 5 o'clock last night when Mr. Fulton reached here, or about 5, on the phone. I was in the middle of a Massachusetts defense committee meeting, and that lasted until I got on the train.

The CHAIRMAN. As I said before, if you have any further statement you want to make to this committee, you are perfectly welcome to do it.

Mr. FULTON. And you expected to discuss tax matters rather than these matters, probably.

Mr. RICE. As I understood, you wanted some comments, if I had any, on this discussion this morning.

The CHAIRMAN. We want those comments, too, but I was anxious for you to make a comment on what had been heard by the committee this morning, and then go into any special matter in which you were interested later.

Mr. RICE. Well, to continue on this question of certain levels being shut down or certain working places being shut down, that is always the case in underground mines, particularly underground mines, because the safety of the men and the safety of the mine are involved. You may have to shut down at a certain place for a certain length of

time to work the ore above, get a cave, and then proceed. You have to lay out your mining carefully, systematically, and with due regard to getting the ore out of the property without accident and with fair continuity.

The question was raised of the 7-day week and the 24-hour operations. In most underground mines you can't work effectively more than two shifts. You have to, as was pointed out this morning, give time to ventilate, make necessary inspection of the shaft and your equipment and the hoisting equipment, your ropes, and so forth; you can't just keep running them 24 hours a day until they crack and drop a whole crew of men.

The CHAIRMAN. That is true.

Mr. RICE. You have to have inspection. It is required by the safety rules, and it is the only sensible thing to do.

With a 7-day week you will not get a percentage increase, a direct percentage increase. If you work 5 days a week and you go to the 6-day, you may be able to increase your production approximately somewhere between 15 and 20 percent.

USE OF MULTIPLE SHIFT OPERATION

The CHAIRMAN. I was particularly intrigued this morning by the statement of Mr. Riskin that only 50 percent of the time at Butte had the 5,000 men worked; that half of the time 5,000 regular miners were operating. How do you account for that?

Mr. RICE. I can't account for that. I mean I think that the people that are operating in Butte can give you the answer for that. I wouldn't want to answer for them because I don't know their conditions.

The CHAIRMAN. Well, in the lead mines—where are your mines?

Mr. RICE. In Utah, most of them. Our lead-zinc mines are in Utah.

The CHAIRMAN. Do you operate on a 24-hour basis?

Mr. RICE. We operate two shifts.

The CHAIRMAN. Two shifts, 16 hours?

Mr. RICE. Two shifts, and we are now operating 6 days a week, and the men are working 6 days a week. The "swing" shift is not a practical matter in a great many places underground. Men don't want to go into the face or into the stope behind a crew that they don't know and have not been working in conjunction with.

The CHAIRMAN. I understand that.

Mr. RICE. It is too dangerous. They don't know whether the men ahead of them have bogged down the rock or whether they report missed holes, and I wouldn't want to go in and I don't think you would, into a face to start mucking up the mud behind someone I didn't know and might have missed a hole.

The CHAIRMAN. I think that is absolutely true. But the statement this morning was that the chances were that two shifts properly operated could keep the top crew going three. How does that work out, in your mine, where you work two shifts?

Mr. RICE. We work two shifts on production, and some of the repair work is done in between times. Some of the checking of the ropes and safety work, and so forth, is done in between times by the

shift bosses, who check over. I don't think we could go in our mines to three shifts.

The CHAIRMAN. When did you go on a 6-day week?

Mr. RICE. We went on 6 days at the beginning of November at the request of O. P. M.

Senator MURDOCK. Why couldn't you go to the three-shift basis in Utah mines?

Mr. RICE. We have got to give time for ventilation and inspection and necessary repairs and oiling of machinery, and so forth.

The CHAIRMAN. Are these deep mines?

Mr. RICE. Yes, sir; deep mines and the working places very scattered. In Utah and everywhere now, as I understand it, you have the 8-hour collar-to-collar law. At many of our working faces the men don't work more than 6 hours, 6 hours and 20 minutes. It takes men 40 to 50 minutes to get from the collar to the face.

The CHAIRMAN. In a deep mine, 6 hours is about all they can spend underground unless you have special ventilation?

Mr. RICE. The depth hasn't anything to do with it. It is a question of ventilation.

The CHAIRMAN. But the depth makes the ventilation much more expensive and difficult?

Mr. RICE. Well, in some mines that are hot it does, but all mines aren't hot. I think there is very little difference in the temperature in our mines 500 feet underground or 3,000 feet.

The CHAIRMAN. You are so far above the ground to start with, I suppose it wouldn't.

Mr. RICE. Well, it is a question of ventilation, and of course that is the problem that has to be studied, and studied all the time.

Senator MURDOCK. Well, if the temperature situation is as you have stated in your Utah mines, that condition itself would be more conducive to three shifts than, say, the situation that we have in Arizona as described by Mr. Riskin.

Mr. RICE. Well, it is not so much a question of temperature; it is a question of clearing out the gases and the smoke.

Senator MURDOCK. I understand that. I have done some mining myself. I am just wondering what you have done in your mines in Utah to that end toward making it so that you could operate three shifts. Have you done anything at all?

Mr. RICE. We couldn't operate three shifts.

Senator MURDOCK. You mean that it is just impossible?

Mr. RICE. We couldn't operate three 8-hour shifts.

Senator MURDOCK. By the introduction of air conditioning, and so on, couldn't that be done?

Mr. RICE. Well, when you say couldn't it be done, I suppose that anything can be done.

Senator MURDOCK. Just a moment. Was there ever a time in the history of this country when there was such a necessity of resorting to anything to get this job done as there is right now?

Mr. RICE. To rearrange our mines so that we could run three 8-hour shifts would probably require 3 or 4 years' time and probably at least 6 months' shut-down. That is offhand. We have never made a study of it because I don't think it is practical.

Senator MURDOCK. You say you have never made a study of it?

Mr. RICE. No, sir.

Senator MURDOCK. Never called in an air-conditioning engineer or an expert to go into the thing with you?

Mr. RICE. No, sir.

Senator MURDOCK. Don't you think that that might be one of the first things to do in this crisis?

Mr. RICE. That won't get us production now. In the first place, I don't know where we could get the equipment.

The CHAIRMAN. If you can't do the three-shift program, how can you increase production in your mines?

Mr. RICE. The only way we can increase production in our mines is to go to 7 days.

Senator MURDOCK. Go where?

Mr. RICE. Seven days. We are operating 6 days now. By operating 7 days, that would increase our production somewhere under 10 percent. We would have to be shut down, probably, that is, no production probably every third Sunday anyway, and maybe more often. That is something that you just have to feel out.

The CHAIRMAN. Proceed with your statement, Mr. Rice.

Mr. RICE. Suggestion was made of a three-shift 6-hour day if a three-shift 8-hour day wasn't practical. A three-shift 6-hour day with a collar-to-collar law—a man wouldn't have time to get a round of holes in; it wouldn't speed things up; it would slow things down.

The CHAIRMAN. And that is just true of your set-up?

Mr. RICE. I think that is true in general with most underground mines.

The CHAIRMAN. Is it?

Mr. RICE. I think so. There might be some mines, as I say—certain faces in our mines—where the men aren't working 6 hours, anyway. There might be a mine newly opened up where a man can get to the face in 5, or 10, or 15 minutes, and he might actually get in practically as much working time on a 6-hour shift as our men get in on an 8-hour shift, but I think that those cases are rather rare.

There is a shortage of skilled labor, of skilled miners. They have been going into other industries, and I don't see how we can get them back from the other industries. In Utah they have been leaving the mines and going to other defense industries that are paying a lot higher wages and working 7 days a week and paying overtime and double time.

The CHAIRMAN. Is that true particularly of the defense construction industries where they are building ordnance plants and camps?

Mr. RICE. Yes, sir.

The CHAIRMAN. And things of that sort?

Mr. RICE. I think so.

The CHAIRMAN. It makes it pretty hard on the mine operators to keep help. Is that it?

Mr. RICE. It is very difficult.

Some statistics were given this morning with regard to the percentage of men working the first shift, the second and third shifts. The third shift in underground mines is pretty nearly out, anyway. I mean there are very few that I think are trying to work the third shift except for repair work, maybe; but the statistics as such I don't think are a fair comparison because there is a certain amount of work on the

surface—clean-up work, shop work—and a certain amount of work underground that can be done all in one shift. I mean one 8-hour shift can do all that is necessary of that type of work to carry over for 24 hours, and those men are usually working on the day shift. They would rather. So the number of men on the job at mines, also in mills and smelters, is always larger in the day shift than other shifts.

The CHAIRMAN. That is, they are the auxiliary workers.

Mr. RICE. They are the auxiliary workers. Now, we run a big mill in Utah. Our day shift is always larger than our night shift, not because we are treating any more ore in the daytime, but there are certain types of work that can be done for the whole 24 hours in 8 hours. Now, at our mill in Utah, our coarse crusher can crush all of the ore in 8 hours that the mill can handle in 24. We run the coarse crusher plant 8 hours a day, and that is the mid-day shift. There is no use in running it more than one shift. So the statistics are not a fair picture of whether we are running full the second shift.

The CHAIRMAN. What this committee is trying to find out, Mr. Rice, is how can we increase the output of lead, zinc, from the ground for the whole country, and that is the reason that we are trying to get every point of view on this subject so that we can make a recommendation which will get results.

Mr. RICE. Well, every mine is a problem by itself. You can't lay down any general rule.

The CHAIRMAN. I agree with that. I know something about the mining business myself. But there are fundamental rules that affect, we will say, all underground mines and all strip mines, and these fundamental rules can be applied in each instance. Then, of course, each individual mine is a problem in itself, but what we are trying to do is to find out what the general problem is and to see what we can do to get more lead, zinc, and copper. We have got the lead, zinc, and copper in the ground if we can get it out.

Mr. RICE. Well, I don't think we have as much lead, zinc, and copper in the ground now as we had 10 years ago.

The CHAIRMAN. I think there is as much lead, zinc, and copper in the ground in Missouri and Oklahoma as there ever was.

Mr. RICE. Whatever was taken out isn't there any more.

The CHAIRMAN. We discovered just the other day another Montreal mine southwest of Joplin, and they are taking it out just as fast as they ever did out of Montreal. They took a million tons out of that mine in less than 3 weeks back in 1916. I am sure we can find all the necessary metals in the ground if we can find a way to get them out, and that is what we are interested in.

Mr. RICE. It takes time to find them. We are hunting all the time. We are doing exploration work all the time, but we find it very hard to find new properties.

The CHAIRMAN. Have you made any prospects or drillings or things of that sort in the last 5 or 6 years that would lead you to believe that there are still unexplored areas that can be mined successfully?

Mr. RICE. You mean in our own properties?

The CHAIRMAN. Yes.

Mr. RICE. Well, we are always doing exploration work in our properties. We do it all the time.

The CHAIRMAN. Do you think there is any chance of your present ore bodies giving out before this emergency is over, from the explorations that you have made?

Mr. RICE. No; we feel that our present properties will continue to produce at approximately their present rate.

The CHAIRMAN. I think you will find that is true of nearly all these properties.

Mr. RICE. Well, I wish I thought so. We are doing outside exploration work all the time, trying to find other properties.

The CHAIRMAN. Of course, you have to if you are going to keep your organization going.

Mr. RICE. We have to.

EFFECT OF SOCIAL SECURITY AND MINIMUM WAGE LEGISLATION ON BLOCK LEASES

Mr. RICE. There is one question that I think has reduced the production of metal in the last 2 years quite considerably.

The CHAIRMAN. Tell us what that is. That is what we are interested in.

Mr. RICE. That is the application or the way the Government has interpreted the wage-hour law and the social-security law with relation to block leases.

The CHAIRMAN. Now explain that in words of one syllable so that Senators can understand it.

Mr. RICE. It has been the general practice in the West for the last 75 years to give block leases; in other words, a lease on a certain area of your property, often an area that the company has practically finished with, which it cannot do company work on on day's pay any longer, to exceptionally good miners, able men. They go into that area, which they know, which perhaps they have been working in before, and take a lease on it and go ahead on their own, with their own capital, with their own work, their own partners, two or three men that they hire, and work in there.

They have always been considered lessees. They take their chances. If they don't find ore, it is their loss; if they do, it is their profit, subject to a reasonable royalty.

The CHAIRMAN. What is the remedy for that? In other words, you say that sort of thing is handicapped by the wage-hour law.

Mr. RICE. That is because the Government bureaus have decided that those people are employees of the company and are subject to the social-security taxes and the minimum-wage provisions of the wage-hour law—and they are not employees at all.

The CHAIRMAN. Did you ever see a bureaucrat who didn't want to extend his power and authority over a thing of that sort?

Mr. RICE. But that has thrown 2,500 men out of the mining industries in the West.

The CHAIRMAN. The wage-hour law ought to be amended so that it doesn't affect them if that is the case.

Senator MURDOCK. I doubt very much, Mr. Rice, whether you are giving us a true picture on this block lease situation. As I understand the situation in the Utah mines, it wasn't because of some bureau here in Washington interpreting your leases; it wasn't because some bureau

here in Washington said that your lessees were employees. What the bureaus in Washington did was to follow a supreme court decision of the State of Utah. Isn't that right?

Mr. RICE. Well, there have been decisions in different places—

Senator MURDOCK (interposing). But particularly in Utah, take the fact that the supreme court of the State held, in a case directly involving one of these block leases, that your lessees were, by reason of the restrictive clauses in your lease, by reason of the supervisory powers that you reserve, by reason of other qualifications, by reason of the fact that you reserved the right to discontinue the lease, not giving the lessees any set amount, and because in your lease itself you reserved the right to cancel it, I would say, arbitrarily, that your lessee was not an independent contractor but, by reason of the very lease that you people insisted on, was an employee of the company.

Now, isn't that a fact?

Mr. RICE. It was decided that they were employees of the company, but there had to be certain restrictions in the lease in order for safety provisions and so that we would have coordinated operation.

The CHAIRMAN. Evidently it was the same sort of lease that the Standard Oil Co. make with their filling stations.

Senator MURDOCK. It was the type of lease, I would say, that gives you absolute supervisory powers—power to cancel the lease arbitrarily—to the extent that the Supreme Court of Utah just said, "We can't consider these miners as independent contractors, but they are of necessity employees."

There is that situation, and I think that the Wage-Hour Division was bound, under the decision of the Supreme Court of Utah, to take that position.

I agree thoroughly with you that the block leasing system in Utah is of necessity a very vital necessity and part of our mining economy, but I think in order to carry it out, it is not only the lessees that have got to make concessions, but the employers themselves have got to modify and change that lease so that they are contractors rather than employees.

The CHAIRMAN. Can't that be worked out according to the court decision, Senator?

Mr. RICE. I know that we are perfectly willing and want to have the block leasing system go back into effect. It will result in more production.

The CHAIRMAN. Can't you reword that?

Mr. RICE. And we are perfectly willing to modify the lease.

The CHAIRMAN. Can't you reword that lease so that it will meet the requirements of the Supreme Court of Utah? I am not a lawyer—I am trying to find out.

Mr. RICE. I can't tell you what the Supreme Court of Utah will say, sir.

Senator MURDOCK. Well, the Supreme Court of Utah will say what the law of Utah is.

I might make the observation that in my last visit to Utah, I conferred with John Jensen, of the firm of Cheney, Jensen & Marr, on this very thing, and I made several observations in this connection which, in my opinion, could be adopted by your companies out there

to bring about the situation of independent contractors rather than employees of the company.

Mr. RICE. Mr. Jensen, as I understand it, drew up a suggested lease.

Senator MURDOCK. And I will say that Mr. Jensen exhibited a very cooperative attitude in this thing, and that is why I mentioned this morning to Mr. Riskin that I felt he should have treated what has become a very important part of our mining in the West, and that in this block-leasing system.

Mr. RICE. Mr. Jensen is our attorney and advises us. Well, that has reduced production, and if something could be done——

The CHAIRMAN (interposing). It is bound to. We are getting something concrete now. That is what we want to know.

Mr. RICE. We will be glad to amend our leases in any way that is necessary to get by the technicalities of the law, provided they contain certain things that we have got to maintain, and that is certain control over the operation of the leases for the safety of the property and the safety of the other men working on company properties.

The CHAIRMAN. That goes without saying.

Mr. RICE. And for the coordination of hauling and hoisting and so forth, and power. Beyond that, we have always considered them independent contractors, and they can do as they please, provided they keep mining. I think that reservation of canceling the lease was always kept primarily so that you could force a man to go into the ground and keep working. There is no use in giving a block lease to a fellow who just sits down and only works a few days a month if you can get someone else who is willing to go up there and work.

EFFECT OF EXCESS PROFITS TAX ON PRODUCTION

The CHAIRMAN. Your time is getting short, and I want you to tell us something about the tax situation and whether or not that has cut down production.

Mr. RICE. The tax situation, I think, has a very fundamental bearing on production. It does not, fortunately, affect our company.

The CHAIRMAN. Well, tell us how it does affect those others.

Mr. RICE. But the present tax law has a normal earnings base. The normal earnings base is the average of the past 4 years. That is earnings in dollars. Now operators are being asked to increase their production as much as they possibly can, and whatever increase in earnings they make out of it is taxed under the excess-profits tax. If those increased earnings are made in a year when they increased their production by 50 percent, it is not in the true sense increased earnings in that year—it is bringing forward into this year earnings that you would normally be making the next year or the year after.

You have, let's say 10 years' life at the rate of 100,000 tons a year, and you are asked to increase it to 150,000 tons a year. Then you are only going to allow 7 years.

The CHAIRMAN. Well, if you don't make that increase, you are not going to last at all, because if the people who want to take it away from the Government of the United States put the Government out of business, you won't be in business, either. You will belong to them.

Mr. RICE. Let me point out the difference between mining and industry. Part of what we are taking out—what we have always been taking out—is our capital.

The CHAIRMAN. Sure.

Mr. RICE. All that we want is that instead of a base of so many dollars a year in the last 4 years, to say that our normal profit is so many cents or so many dollars or whatever it is per unit of production.

The CHAIRMAN. That sounds reasonable.

Mr. RICE. In other words, if for the last 4 years we have produced 100,000 tons a year and we have made a profit of \$2 a ton, then that is our normal base, and if we increase to 150,000 tons at the request of the Government and use up our capital, taking it out in a shorter period for the present emergency, give us a normal base of \$2 a ton for the excess-profits tax. We pay the normal tax on it in any case, and if the price is raised in order to bring out production from other properties and we make \$3 instead of \$2, that additional dollar is excess profits and is taxed as excess profits—but give us a normal base of so much, whatever a normal is per unit of production, and not per year of earnings.

The CHAIRMAN. I see the point. It sounds reasonable to me.

Senator MURDOCK. Now you are allowed certain depletion under the present law.

Mr. RICE. The same as under the present law; yes, sir.

Senator MURDOCK. And on the basis of that depletion, most of your mining operations today have already been allowed depletions in excess of 100 percent, have they not?

Mr. RICE. Depletion, as I understand the principle of taxation, is that we are allowed depletion and depreciation just the same as other depletion for a return of capital. Now, the theory of the excess profits is that no one should make an undue profit out of the emergency. Isn't that right?

Senator MURDOCK. That is right.

Mr. RICE. Now, by increasing our production 50 percent and making 50 percent more money this year than the year before, to the mining industry that isn't making more money due to the emergency. It is just taking it out and using up its property so much faster. The making of more money out of the emergency to the mining industry is making more dollars per unit, not making more dollars due to an increased unit production.

Senator MURDOCK. And as I understand you, as a result of the present excess-profits tax, the mine operators of the country have failed to increase their production. Is that right?

Mr. RICE. I think that that is a deterrent to increased production. It is a deterrent to opening up mines or trying to open up mines that have been closed down for quite a number of years and have no base period of earnings to go on. And it is a deterrent to spending money on exploration and development to find more or to increase production over a base which, for the mining industry, it seems to me is a false base.

Senator MURDOCK. And will continue to be a deterrent?

Mr. RICE. Will continue to be a deterrent just as long as it is in the tax law.

Senator MURDOCK. Notwithstanding the crisis that now faces us, if we are to understand you today, then, the excess-profits tax, with

its present application to the mining industry, will continue to be a deterrent in the way of increased production?

Mr. RICE. Well, it is naturally a deterrent when you can't make any money at the business that you are at and you are risking your capital and using up your capital.

Senator MURDOCK. The mining industry, in my opinion, may find, however, if they follow that policy, that our friend Hitler might not be as willing.

Mr. RICE. As I said to start with, our company is not faced with that problem. I am just telling—

Senator MURDOCK (interposing). But you are expressing, as I understand it, the attitude of the mining industry and representing one of the big mining operations of the United States.

Mr. RICE. We feel, in the mining industry, that the tax law as it stands is putting a burden on the mining industry that it is not putting on other industries—and an unfair burden. It is being taxed more severely than any other industry in the country.

Senator MURDOCK. Let's look at that in my State of Utah out there in connection with your mining industry. Your mines are taxed in Utah on the basis, as I understand it, of twice the net profits plus 1 percent of your gross profits. Is that true?

Mr. RICE. You are talking about State taxes.

Senator MURDOCK. Yes; I am talking about State.

Mr. RICE. I am talking about Federal income tax.

Senator MURDOCK. We have to look at the entire tax structure. I just want to point out or, if I can, to draw you out on some fair taxation of mining properties in Utah. If I can't, I want you to convince me that you are unfairly taxed.

Mr. RICE. I didn't say the mining properties in Utah. I said the mining industry as a whole.

Senator MURDOCK. Yes. Let's take up the tax in Utah to begin with. I want the country to get this picture of taxation. You are taxed out there on twice your net profits plus 1 percent of your gross profits. Is that right?

Mr. RICE. I am not a tax expert.

Senator MURDOCK. But you don't need to be an expert to know that that is the basis of taxation in Utah. You know that, don't you?

Mr. RICE. No, sir. I don't know exactly the basis of Utah's tax.

Senator MURDOCK. That is the basis in Utah. As an occupation tax, you are taxed 1 percent of your gross profits, plus twice your net income.

Compare that basis of taxation with the tax imposed on the farmers in Utah. It doesn't make any difference to the farmers in Utah whether they make any net profit at all. It doesn't make any difference to them if they lose over the period of a year. They pay the same taxes on their farm lands whether it is a good year or a bad year. But under the tax laws of Utah, your mining properties don't pay unless they make a net income. Isn't that right?

Mr. RICE. They pay certain taxes.

Senator MURDOCK. If there is any unfairness out there, it is unfairness to the farmer, as I see it.

Now let's look at your block system leasing and see what you do on that. Under every lease that you have executed under your block

leasing system, you passed the burden of taxation on your property itself on to the lessee. Do you know that?

Mr. RICE. We pay the taxes on our share of what we get out of it.

Senator MURDOCK. I will make this statement and challenge its contradiction: that every block lease in Utah carries the provision that the lessee shall pay the net profits tax on the ore that he takes out; also that he pays the occupation tax. Then I will make the further statement that when you file your income tax with the Federal Government and when you file your income tax with the State of Utah, you take credit for the very taxes that you have passed on to your lessees. If that isn't a truthful statement, I ask you or Mr. Dickinson or anyone else that is expert in the taxation of mines to put the correct statement into the record.¹

It seems to me that under the system of taxation of mining property in the State of Utah, for the mining operators to take the position that they are unfairly taxed and, as a result of that taxation, that they are restricted in production is rather an unfair statement.

Mr. RICE. Well, I don't think I was talking about the State of Utah. I was talking about the mining industry as a whole and the Federal excess-profits tax.

Senator MURDOCK. Yes; I understand that.

Mr. RICE. And its effects on the mining industry.

Senator MURDOCK. But I am talking about the tax picture as a whole and am calling to your attention that this afternoon when you tell me that it is by reason of the excess-profits tax that you people are not producing all that you could, I think it is just a deplorable situation.

I don't happen to be a member of it, but what I would like to see the Truman committee do is to go into every State in which this metal mining is carried on and find out what the basis of taxation is and find out whether the mining industry is standing its burden along with the other industries of the State.

The CHAIRMAN. We expect to do that, Senator.

Senator MURDOCK. You should do it. They come in here and want to give us half a picture of the taxing situation. They want to point out to us that for certain reasons the excess-profits tax levied by the

¹ In this connection Mr. Rice subsequently informed the committee that—

Section 4 of chapter 101, Sessions Laws of Utah, 1937, which relates to the assessment of mines provides that " * * * the owner shall be entitled to deduct and remit to the State tax commission any tax chargeable upon the operations conducted by lessees or other parties." This provision authorizes the company to deduct and remit to the taxing authorities all occupation taxes chargeable against operations conducted by lessees. Under the Utah law the company, in order to protect its property, must report net proceeds realized from all ores extracted from its property whether extracted by the company or by lessees; and the company, therefore, under the lease contracts, deducts for net proceeds taxes chargeable against operations conducted by lessees. The company only deducts from lessees a sufficient amount to cover the net proceeds tax on the lessees' net proceeds after deduction of the company's royalty on ores produced by lessees, and a sufficient amount to cover the occupation tax on lessees' net smelter return after deduction of such royalty on ores produced by lessees. The company pays the occupation tax and the net proceeds tax on such part of the proceeds from the ore mined by lessees as is represented by the company's royalty. The returns made by the company under the net proceeds and occupation tax law include not only all ore produced by the company but also all ore produced by lessees. Under the corporation franchise tax law in Utah the company is entitled to deduct from income all net proceeds and occupation taxes paid or accrued. The company takes deduction only for such net proceeds and occupation taxes as accrue on company operations and on that part of lessees' operations represented by the royalty on which this company pays the net proceeds and occupation taxes. The company takes no deduction for occupation and net proceeds taxes chargeable upon lessees' operations and withheld from lessees and remitted to the taxing authorities. Deductions on the company's Federal income tax returns are the same as those taken under the Utah corporation franchise tax. This entire procedure is strictly in accordance with Utah and Federal laws.

Federal Government is a little unfair, but in order to get at the true picture of this situation you have got to go right to the bottom of it and see what you are doing in the way of taxation not only in the States but under the Federal tax system.

The CHAIRMAN. Proceed, Mr. Rice.

Have you a concrete example that you could give the committee on how the Federal tax works out to stop production?

Mr. RICE. I haven't got one with me. I came down here, as I say, absolutely unprepared, but there are a good many of them, and I think—

The CHAIRMAN (interposing). I don't necessarily mean any specific company, but I mean just the method. How does it work?

Mr. RICE. Well, may I ask Mr. Fernald, who is chairman of the tax committee of the American Mining Congress, to answer that question? He is much more an expert on the actual workings of the tax than I am.

The CHAIRMAN. We will call Mr. Fernald, who is our next witness, anyway. Do you have any further statement that you wish to make to this committee?

Mr. RICE. There was a statement made that prices had nothing to do with production.

The CHAIRMAN. I think that is substantially true, but I want you to show me that it isn't, if it isn't.

Mr. RICE. Well, the suggestion was made, as I understood it, that there should be different prices made for different properties, and dependent upon whether they were making money—

The CHAIRMAN (interposing). The suggestion, I think, was made that the price ought to be made on the basis of production.

Mr. RICE. On the basis of production?

The CHAIRMAN. That is right.

Mr. RICE. That question, I think it is fair to state, as I understood it, it was a criticism of the O. P. A. for not doing something of that kind.

The CHAIRMAN. That is right.

Mr. RICE. Now, the O. P. A., as I understand it, had that feeling very strongly.

The CHAIRMAN. We are going to let O. P. A. talk for themselves. I want you to talk to us about the mines.

Mr. RICE. I mean they have talked to me. They have talked to others, and they went very thoroughly into that subject before they made any price change at all. That I am certain of because they called me down here several times on the subject, and I have talked with them over here. I personally think that there are a great many complications in making a different price for increased production because we might be running full in the month of October and produce, say, the equivalent of a million pounds of lead, and we might be running just as full in the next month and produce the equivalent of only 800,000 pounds of lead, depending on the ore content and the amount of lead that is in the ore that we happen to have to mine that month. I mean that is just one of the problems that is involved. You may be running just as full, but the grade of your ore differs from month to month, from day to day. We have no control over that—absolutely none. You have got to take the ore that you have

got as you come to it. We might run into hard luck and run to the end of a stope and have to do work, and our production increases and decreases. I don't see how it could be placed on production.

I don't think we could take 1939 costs. Our costs today are a great deal higher than 1939, and they are going up all the time. Wages have gone up. Wage scales have gone up. The cost of supplies has gone up, and is going up some more. And price with relation to supply is a fundamental problem. It always has been, and it seems to me it is always going to be.

As far as we are concerned in our mines in Utah, we have never asked for favor. We can produce if anyone can produce in the country, I think. We always have.

But to get more production out of properties, either by opening up new properties or reopening old properties or operating or continuing to operate properties that are right on the edge now, price is a very vital question. The law of supply and demand is still more or less operating.

The question of a joint committee was suggested.

The CHAIRMAN. The question now, Mr. Rice, in my opinion, is the question of supply to save the country. I don't think it is a question of supply and demand. It is a case of getting the metal to save the United States of America, and it must be gotten under any conditions. I don't think it is a question of supply and demand.

Mr. RICE. I think it is a fair statement that management is just as much interested in production of metals and the saving of the country as labor or the Government or anyone else in the country.

The CHAIRMAN. That is what I want you to say, and I want that to be true.

Mr. RICE. Well, it is true, and it always has been true, and it always will be true.

Senator MURDOCK. How does that square, Mr. Rice, with your statement a few minutes ago that the excess-profits tax assessed by the Federal Government is restricting your production?

Mr. RICE. I did not say it was restricting my production. I said it had no effect on my production.

Senator MURDOCK. I didn't so understand you. I understood you to say that the excess profits tax did not affect your production.

Mr. RICE. That is so.

Senator MURDOCK. But I asked the specific question if we were to understand that the assessment of the excess profits tax was having a restrictive effect on the production of metals, and I think your answer was "yes."

Mr. RICE. I think it is, on the production of metals, the application of the excess profits tax as it stands in the law today, an undue hardship on the metal industry. I think if you want to take all of the profits out of the metal industry and take all of the profits out of all other industry, you will find no kick from the metal industry; what the metal industry wants is to be treated fairly in relation to the rest of the industries in the country. We have had a suggestion, an offer of an amendment to the excess-profits tax law, submitted by Senator Johnson which I think would fit the bill.

Senator KILGORE. In what way does the excess profits tax law bear down harder on the metal industry than it does on other industry?

Mr. RICE. Well, I tried to explain that.

Senator KILGORE. I wasn't here and I am apologizing for it.

Mr. RICE. We feel in the metal industry that instead of having the past 4 years as a base on which to determine excess profits tax, the past 4 year's profits per year, that we should have a base of a profit per unit, because we are taking out of our properties our capital, we have a limited amount of ore in our property—whatever it happens to be, and when that is taken out we are through. In the manufacturing industry there is no such situation because they can go out and buy their raw materials just as long as they can stay in business—it may be 10 years or it may be a hundred years, but a mine can only last so long as there is ore in the ground at that spot.

Senator KILGORE. That applies equally to oil, coal, to any natural resource, then, doesn't it?

Mr. RICE. I think so, yes, sir; but we are in the situation that our base years, the years in which—let's say we have a mine in the last 4 years has averaged production of 100,000 tons a year, and they have averaged to earn \$2 a ton. Your base under the present law is \$200,000 a year. Now you ask us to produce more. Let's say we produce 100 percent more, for easy figures. Instead of 100,000 tons, 200,000 tons, and we still make \$2 a ton on that 200,000 tons. We don't feel we have made an excess profit this year; we have just brought forward into this year profit that we would make perhaps 3 years from now and then be over, if we have only 3 years of ore in our properties. We have brought that forward. If we made \$3 a ton as against \$2 a ton in the base period, then we should be taxed excess profits on that additional dollar, but not on the \$2 per unit. We feel that in the natural industries where you are limited with your stuff, you can't go out and buy your raw materials, and our base should be a unit base, a unit of production and not per year of operation.

The CHAIRMAN. Mr. Rice, if you want to catch that plane at 3:55, I am going to let you go, if you like, unless some Senator wants to ask a question.

We are going to have Mr. Fernald as a tax expert discuss this subject. You still have time to catch the plane.

Mr. RICE. If you have any questions I would rather answer them now and not have to come down again.

The CHAIRMAN. Do you have any further questions? That is all, Mr. Rice. Does any Senator want to ask Mr. Riskin a question about this morning's testimony? I asked him to come back so you could if you so desired. If not, he has another meeting he wants to attend and I want to let him go.

Senator MURDOCK. I would like to suggest this, Mr. Chairman, that Mr. Riskin submit something in the way of a statement or a brief on the block-leasing system in Utah and Colorado and in any other States where it is being practiced.

The CHAIRMAN. You do that, Mr. Riskin, and we will excuse you for the rest of the afternoon. If you want to come back in the morning we will be glad to have you.

Mr. Fernald, do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God, in your testimony you are about to give before this committee?

Mr. FERNALD. I do.

The CHAIRMAN. Will you be seated, Mr. Fernald, and give your name and connections to the reporter?

**TESTIMONY OF HENRY B. FERNALD, CHAIRMAN, TAX COMMITTEE,
AMERICAN MINING CONGRESS, MONTCLAIR, N. J.**

Mr. FERNALD. I am Henry B. Fernald, of Montclair, N. J., chairman of the tax committee of the American Mining Congress.

The CHAIRMAN. Mr. Fernald, you have heard the testimony of Mr. Riskin and Mr. Rice, and I think you understand that this committee is interested in increasing the production of nonferrous metals, particularly copper, lead, and zinc, and we were interested very much in the tax phase of the matter. I understand that you are a tax expert. If you want to go into that with this committee I would appreciate it.

Mr. FERNALD. As chairman of the tax committee of the American Mining Congress I have conferred with a great many in all sections of the country in the mining industry as to the tax proposition. I agree with what Mr. Rice has said as to the general feeling that this does have a deterrent effect. Let me tell you the situation as it has come up to me.

We had in 1940 an excess-profits tax imposed which carried with it the general thought that it was a penalty tax against those who were undesirably making excessive profits out of the defense program. I am not denying that it had certain revenue aspects urged, and so forth, but it did carry that general thought, people should not be making excessive profits out of this emergency.

The CHAIRMAN. We all agree with that. I think you will agree with it.

Mr. FERNALD. I agree with that. Then we came to the time when there came the sudden urge to increase production in every way. The mining industry stands in this way: There are some companies, as that of Mr. Rice's, who are not concerned with this particular production feature, as he told you. There are others, however, who found that if they increased their production they would immediately have been placed in the class of those who are making excessive profit out of this emergency and be subjected to the heavy penalty tax.

Without conflicting with Mr. Rice's illustration, let us put it this way. If we have our profits running normally \$1 a ton, with a normal production of 100,000 tons, we double that production and make no more than the normal profit on that; yet the entire increased production, because it is realized in a single year, is treated as being excessive profits. So we have felt that in fairness to the mining industry we ought to have it recognized that the simple realization of a normal profit per unit does not constitute excessive profits. It should not be subjected to a penalty tax. We agree it should be subjected to normal tax, yes; normal and surtax as we have it now. There is no question on that, but the objection is to putting the penalty tax on it as if this were excessive profits.

Now, sometimes mines may have an increased price without having corresponding increased costs. Some of them may have an increase in cost that more than offsets any increase in price. That may be on account of various conditions. But if there is no more

made than normal profits, that oughtn't to be classed as excess profits. If they make more than the normal profit, yes. If instead of the \$1 a ton there is \$1.50 or \$2 per ton profit, the half dollar or dollar of that is undoubtedly excess profits and should be taxed as such. There is no protest on that.

The CHAIRMAN. Was this situation laid before the Finance Committee of the Senate when they were considering this tax bill?

Mr. FERNALD. Yes; it was. I referred to it briefly in my presentation. Some others also referred to it, and Senator Johnson presented his amendment which expressed the thought involved, and I should be very glad, if you wish, to submit for the record a copy of the statement from the Congressional Record that Senator Johnson made at the time of presenting it, which I think explains that briefly.

The CHAIRMAN. It will be made a part of the record at this point. (The statement referred to was marked "Exhibit No. 334" and is included in the appendix on p. 4222.)

Senator JOHNSON. Mr. Chairman, I might say in that connection therewith that this proposal was presented rather late in the hearings on the new tax bill. They were referred to the Treasury Department. Senator George, chairman of that committee, said that he was convinced that the mining industry should be treated on a different basis from other taxpayers insofar as excess-profits taxes are concerned, but the proposal came rather late in the hearing; it was not presented in the House, and the Treasury had not had an opportunity thoroughly to study the matter, so they took it under advisement.

The CHAIRMAN. And it didn't get in to the bill?

Senator JOHNSON. They took it under advisement the last few days of the hearing, and it is understood that the matter will be brought up when another tax bill is considered, and an effort will be made to have the Treasury adopt some such plan as the unit plan of excess-profit taxation.

The CHAIRMAN. In the meantime, production is on the bum partly as a result of this failure to accept your amendment.

Senator JOHNSON. That is right. I think that is true. We pointed that out to them, but they didn't accept that theory.

The CHAIRMAN. Proceed.

Mr. FERNALD. Mr. Chairman, may I say I quite agree with the statement the Senator has made. It is quite in accord with my understanding of the present situation.

Senator MURDOCK. May I just interpose this. Do you agree, then, that the existence of this excess-profits tax as applied to mining is today deterring the production of metals so needed in this war crisis?

Mr. FERNALD. That is the next point I wanted to state. I wanted to say this. Of all of those with whom I have discussed this pretty generally through the country, I know no one who is deliberately saying, "I will not produce the metals I should be producing on account of this law."

The CHAIRMAN. Let me say this, Mr. Fernald, at this point, that mine after mine and mine company after mine company that we have questioned are producing less this year than they did last.

Mr. FERNALD. May I just finish the statement?

The CHAIRMAN. Proceed.

Mr. FERNALD. We do have the situation here, and I agree entirely with what you have said, Mr. Chairman, that it is a time when every effort must be given to increase maximum production. It is not a question of holding back—it is a question of whether you can get not merely the effort you would expect but more and more and more, the extraordinary effort. You do not and you cannot hope to get that when there is a feeling of injustice rankling with people and they feel that the Government is on one side saying, "Increase your production," and the other side is saying, "If you increase your production, we are going to consider you as profiteers."

Now a person can't do his utmost under that kind of a feeling. I think for that reason it is hurting the situation, it is deterring the fullest possible efforts that might be made.

The CHAIRMAN. Well, it has been the experience. I think, that the Congress, the Senate and the House both, have made every effort to be just in these tax matters, and I am very sure that there will be no policy on the part of the Congress to penalize anybody for doing his patriotic duty, even if under present laws it may cost him a little something; and it seems to me that under present conditions, no matter what the situation may be from a tax standpoint—and there are other tax bills coming up in which this matter can be equitably adjusted—every effort ought to be made by your people to get us more metal. Metal is going to win this war.

Mr. FERNALD. I agree thoroughly.

Senator HERRING. Mr. Chairman, in justification of the Finance Committee's action, let me say that Senator Johnson's amendment did come in late, like dozens of others; hundreds, in fact. The understanding at that time was that an administrative bill was to follow that one through the Congress to be passed probably within 4 or 5 weeks, and every provision of the administrative bill was to apply to the tax measure which was passed at that time, and it was on that understanding that we left many of these inequalities in the present tax bill, and if that is passed, it is our understanding that it will be retroactive and protect those who are now being penalized by what you consider an unjust provision.

The CHAIRMAN. I was sure of that. We have never willfully inflicted an injustice on anybody. We need metals now, and I am trying to urge you gentlemen, tax or no tax, to do something about it. Go in with these labor fellows. You heard the statement of the labor man this morning.

Mr. FERNALD. Yes, sir.

The CHAIRMAN. And let's get this metal out here.

Mr. FERNALD. I think that is the sentiment of the mining industry, and, of course, we, all of us, recognize that.

The CHAIRMAN. That is the reason we are giving this thing an airing.

Mr. FERNALD. What might have been expressed a year ago or a few months ago might not be just the same things we would say under the situation of the last few days.

The CHAIRMAN. It is all out the window now. We are trying to save the country. The Senate just met. I adjourned this committee

meeting so that the members of the committee could vote for two more declarations of war. We are at war in the whole world, with Germany, Japan, and Italy officially. We can't win this war without metal, the metals that we are discussing right now.

Mr. FERNALD. I agree entirely with that.

The CHAIRMAN. What good is your tax or anything else going to do you if we don't win this war?

Mr. FERNALD. I agree entirely with that, but I think you will agree with me we will do better if we can avoid as far as possible a feeling that there is an unjust tax——

The CHAIRMAN (interposing). Clear your mind.

Mr. FERNALD (continuing). On the part of the Government, and I think if we can meet in this way——

The CHAIRMAN. You have been working under a psychological injustice which the Senator from Iowa said was going to be corrected. Forget that and let's get that corrected.

Senator JOHNSON. Senator Truman, may I make one other observation with respect to the tax bill recently enacted? It will be very brief.

The CHAIRMAN. Take as long as you like, Senator.

Senator JOHNSON. In prior tax legislation, there was an exemption made to strategic minerals from the excess-profits tax on the basis that strategic minerals were of wartime production, and that they would come into the picture very briefly, flourish during the war, and disappear after the war was over. So they were left out of the excess-profits tax picture by previous legislation. The House included them in excess tax legislation and the Senate Finance Committee and afterward the Senate itself again excluded them, but in conference the House had its way and strategic minerals for the first time in this last tax bill were taxed as in the excess-profits category, which, of course, was a very unfortunate thing, but it did happen.

The CHAIRMAN. As usual, the Senate was right.

Senator JOHNSON. The Senate was right; yes, sir.

The CHAIRMAN. Proceed, Mr. Fernald.

Mr. FERNALD. I think, Mr. Chairman, that is all I need to say to express the thought of that particular amendment, is it not? If there are any questions, I would be glad to answer them.

The CHAIRMAN. Has any Senator any questions to ask Mr. Fernald?

Mr. FERNALD. There is one other point I would just like to mention, if I might. Reference has been made here to this question of new equipment. It has run all the way from new ventilating equipment to new houses, new treatment plants, and there has been the question, of course, of how much any mine can try to do with priorities: Shall it get new equipment here and so take equipment from other places? I am not trying to discuss all that subject. We do have a situation, however, which comes up under the tax law. It is now under consideration in the recent amendments which were made by H. J. Res. 235 in the amortization provisions. We haven't yet the regulations under that. We do not know to what extent that present situation has been fully straightened out. But I do want to point out that if you are going to install 100,000 or 200,000 or a million dollars of new plant and equipment simply to give additional capacity for the emergency beyond anything you expect normally to use, so that your investment

at the close of the emergency period will just be surplusage and have no real value, you must have the opportunity to have that taken into account as part of the cost incurred for this production. I don't want to press that. I do want to call that to your attention, and we have not so far gotten that very satisfactorily straightened out.

The CHAIRMAN. We understand that, Mr. Fernald, and we know a lot of these troubles are real, and what we are trying to get now is the necessary procedure to get some more lead, zinc, and copper and get it out of the ground. It won't do any good if it stays in the ground.

Mr. FERNALD. There is just one thing more I might say. I referred to this fact that what we have got to have is not merely the routine efforts, we have got to have the super efforts which come from the most intense possible cooperation.

The CHAIRMAN. The all-out effort.

Mr. FERNALD. We have perhaps one situation with the now producing mine. We also need some new mines brought in, mines that were closed down. How are we going to get the incentive, the urge? It isn't for the industry, it is for the particular person to go in and do that, and it is hard to expect a man to feel a responsibility on himself to go out and see if he can develop something new if he feels by doing so he is going to be thrown into this class of people who are making excessive profits, which after all there is the general feeling we don't want people to make.

The CHAIRMAN. That is right.

Mr. FERNALD. It does hurt the situation.

Senator KILGORE. Don't you think that the sliding scale, paying a higher rate on new and expensive production, would be the solution, rather than an over-all rise in price?

Mr. FERNALD. That is a very big question, and it is a very difficult one to see how to work out.

The CHAIRMAN. It would be almost impossible for a man who represents the whole mining industry to answer it. It has to be answered by each individual mine, doesn't it?

Mr. FERNALD. I don't know whether that broad question does. As chairman of the tax committee of the American Mining Congress, that has not been particularly in my field, but I don't want to run away from this general expression on my part. It is a very difficult thing to try to take each particular mine and say this mine shall receive one price, that shall receive another. The mere time involved in going around to consider each and every one of these questionable mines in the country may mean that we will not get the answers until after the emergency is over.

The CHAIRMAN. How about giving a bonus for all new or all increased production, as suggested by Mr. Riskin?

Senator KILGORE. Give a bonus price for excess production.

Mr. FERNALD. Well, I am just not ready to try to express an opinion at the moment on it. It is a new thing.

The CHAIRMAN. Think about it, and get somebody who represents your organization to give us an expression on it. That is what we want.

Mr. FERNALD. I should be very glad to.

Senator BREWSTER. I suppose that it is not feasible to adopt the arrangement which the Government has made in the expansion of

other industries by the Government's building or furnishing the equipment. It isn't feasible in a mining enterprise to have the Government furnish this additional equipment that is necessary and retain title with some opportunity of acquisition if you desire.

Mr. FERNALD. Sometimes it is and sometimes it is not. Let me make a very brief illustration to answer a big question. If it is a matter of furnishing some new cars, some new equipment which is movable and the Government can have title to, that is one situation, but if it is a matter of having the Government install some increased machinery in a mill or to provide for some additional ventilating equipment in your mine, it is going to be very difficult to have the Government keep title to this particular part right in the midst of your mill or mine. It brings up an almost unsolvable situation, you see; and if it is a matter of building a new mill, the Government might do it; if it is a matter of just sticking another piece in here they will be right in the midst of your own mill, and you know what happens when you are getting title to real property. We get an immense confusion which is very difficult.

Senator BREWSTER. I appreciate the difficulty, but, after all, it is a question of doing the impossible now.

Mr. FERNALD. I thoroughly agree with that, and I do think it will be much more sensible for the Government to be liberal in its allowance of depreciation rates to meet some of these situations rather than to try to go into all the involvements of having the Government furnish it and keep title to it. Does that answer it?

Senator JOHNSON. The most important part of your capital is your ore bodies, of course.

Mr. FERNALD. Yes, sir.

Senator JOHNSON. And the Government can't possibly add to them or detract from them by any investment of their own.

Mr. FERNALD. That is perfectly true.

Senator JOHNSON. It seems to me, Mr. Chairman, that the bonus idea would perhaps solve this excess-profits-tax problem as well as some other problems.

The CHAIRMAN. That was the suggestion of Mr. Riskin.

Senator KILGORE. That will take care of all of it.

The CHAIRMAN. Has any other Senator any other question he wants to ask Mr. Fernald?

Mr. FERNALD. I can't quite agree that the giving of a bonus for increased production is going to quite answer the excess-profits-tax problem, because what is going to happen to it if you are going to give a bonus and take back 75 or 80 percent of it, possibly?

The CHAIRMAN. Now didn't I say to you awhile ago, after what Senator Johnson had said, that I think you are going to get justice on that when the tax committees meet? I think that is going to be out of the picture.

Mr. FERNALD. Thank you very much.

The CHAIRMAN. Are there any other questions for Mr. Fernald?

Senator MURDOCK. Let me just discuss the giving of a bonus. That would have the same effect, would it not, so far as the depletion of the ore body is concerned, as the excess-profits tax?

Mr. FERNALD. Not if you are going to give a bonus and take back 72 percent of it.

Senator MURDOCK. Do you think in this crisis anybody is entitled to this bonus that you are talking about?

The CHAIRMAN. The bonus would merely be for the purpose of offsetting the profits tax. It might take the incentive away for mining at an increased cost.

Mr. FERNALD. I thought one particular thing you were referring to in the bonus, was the situation of trying to bring into production, ores which were not good enough to be worked on a commercial basis.

The CHAIRMAN. That is true.

Senator KILGORE. Or increased production which would add otherwise unnecessary expense to the operation of a going mine.

Mr. FERNALD. That is the same thing. Or where there was a cost of equipment which would probably only be of temporary use, and a bonus might stimulate that.

The CHAIRMAN. Even when you are trying to save an industry or trying to save the country, you have to give some people an incentive to do it. So we want the result.

Mr. FERNALD. Of course, you understand that I am not sitting here and talking to you as one who has control of all the mines of the country.

The CHAIRMAN. I understand.

Mr. FERNALD. There are the individuals. We do want to get them active and the spirit, the feeling that the Government intends to be fair all the way around is of the utmost importance. And I think you can count on the response of the mining industry to do that.

Senator MURDOCK. But you are willing to agree to that, aren't you, Mr. Fernald, that when the bill is finally passed, even though it is a tax bill, carrying the excess profits item that when Congress has acted, it has acted fairly as it has seen the light, and once it has acted, it seems to me that no group has a right to slow down its production simply because they feel they have been unjustly treated.

Mr. FERNALD. May I make it perfectly clear? There is absolutely no group slowing down production.

The CHAIRMAN. But the figures prove that production has been slowed down in the last year. I don't know who is to blame for it.

Mr. FERNALD. I can't speak with any authority on that.¹ I think that is a question of individual mines. I do know some mines went ahead with their production without doing the companion development that was necessary to keep up that continuous volume. Now, I do know that some companies, or at least some companies advised me, that they have been hurt by the difficulty with priorities. I think that situation has been greatly improved. But there was difficulty in getting that worked out as everyone knows.

The CHAIRMAN. If we can get these metals out of the ground, it is going to help priorities tremendously.

Mr. FERNALD. We know that; and yet a copper mine has to have a priority even to get the copper pipe it may need around the plant, you know, and you can't get it unless you get around to it through a priority. It is a terribly big subject. I am not criticizing anybody when I say it takes time to work some of these things out.

¹ In this connection see domestic mine production statistics subsequently furnished by Mr. Fernald, which appears in appendix on p. 4250.

The CHAIRMAN. It is a tremendously big subject, and that is the reason we are holding these hearings. We are trying to find the answer, trying to be helpful to get the answer, and I am hopeful we are going to find it before we get through.

Senator BREWSTER. You do recognize and you will counsel, I presume, your associates that in time of war such as this, there are inevitable inequities. We have taken something like a million boys, all of whom I am sure were worth more than a dollar day, but we have them in there at a dollar a day. My own son has enlisted. They are getting a pretty tough break, and when that prevails, capital inevitably is going to suffer. You fellows, perhaps, are in a tougher spot than some armament producers, but it is going to be awfully difficult for the Government to do complete justice to everyone. You realize that, of course.

Mr. FERNALD. I realize that thoroughly, and I realize all you say about the young men and their problem, and have the utmost sympathy with it. But the very unavailability of the injustices is one reason why I think that when we do see some of them, we are warranted in bringing them to your attention.

Senator KILGORE. There is one other thing, you know. Even the money that represents the profits, if we should lose, this engagement would be of no value, nor would the title to the property—

Mr. FERNALD (interposing). I am very well aware of that, and I am not minimizing in any way the seriousness of the thing, and the wholehearted supereffort that it means to do it.

The CHAIRMAN. Any other questions, gentlemen? That is all, Mr. Fernald.

The O. P. M. called up at 12:40 and said that the Anaconda Copper Co. had made an agreement with the unions to go on a 7-day week. That was done last night. The O. P. M. also cautioned this committee about discussing imports of copper and other strategic metals, a precaution which we didn't need, but I think they are rather unduly alarmed, for I believe that the Japanese probably know a good deal more about what we are doing than we do ourselves. The committee will recess until tomorrow morning at 10:30, when we will proceed with Mr. Kellogg and Mr. Batt, of the O. P. M.

(Whereupon at 4:05 p. m. a recess was taken until 10:30 a. m., December 12, 1941.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

FRIDAY, DECEMBER 12, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE,
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:37 a. m., pursuant to adjournment on Thursday, December 11, 1941, in room 318, Senate Office Building, Senator Harry S. Truman, presiding.

Present: Senators Harry S. Truman (chairman), Mons C. Wallgren, Ralph O. Brewster, Tom Connally, Joseph H. Ball, and Styles Bridges.

Present also: Mr. Hugh A. Fulton, chief counsel; Mr. Charles P. Clark, associate chief counsel.

The CHAIRMAN. The committee will come to order. Mr. Reed, will you be sworn? Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God, in the testimony you are about to give before this committee?

Mr. REED. I do.

TESTIMONY OF PHILIP D. REED, DEPUTY DIRECTOR, MATERIALS DIVISION, OFFICE OF PRODUCTION MANAGEMENT

The CHAIRMAN. You are in charge of the Materials Division of the O. P. M.?

Mr. REED. Well, I am one of the deputy directors. William L. Batt is the director of the Materials Division, as I believe you know.

The CHAIRMAN. Yes.

Mr. REED. And I am one of his assistants, as it were, deputy director in charge of certain of the commodity branches which make up the Materials Division.

PRODUCTION OF NONFERROUS METALS

The CHAIRMAN. Mr. Reed, we have been very much interested in the situation of the nonferrous metals, particularly copper, lead, and zinc, and the condition of production now, and we have been in touch with your office, I think, on this information, and if you have anything that you can tell us along that line we would like to hear it.

I don't know whether you heard the testimony yesterday or not, or read it.

Mr. REED. No; I wasn't here yesterday, Senator. I perhaps can give you a general statement of the functions of O. P. M., particularly in its Materials Division, in relation to these nonferrous materials, and

if in addition to that you would like some specific information beyond what we have already furnished, why, if I can't give it we can supply someone here who will be very glad to answer any questions that you have.

The CHAIRMAN. All right; proceed.

Mr. REED. We had intended to prepare very much more fully than we have been able to for this hearing, and when we were advised of it we wanted to take this opportunity to give a broad, comprehensive objective view of the job, the problem, the way we have approached it, the kind of job we have done, good, bad, or indifferent. The events of the last 4 or 5 days have so completely taken our attention and our time that we haven't been able in this last week to do nearly as much as we would like to do in order to be ready.

The CHAIRMAN. We appreciate that.

Mr. REED. For that reason I am simply going to make an extemporaneous and very brief statement to you here and then will be glad to go on to the extent that you would like to have us do so.

The very fact that we are now at war, it seems to us, makes it undesirable to give details concerning figures, production figures, particularly where they relate to foreign sources. Any of this material is available to you, you know that, but we think perhaps it should be made available to you through the military rather than in a public hearing of this sort.

The Materials Division is divided into a number—

Senator CONNALLY (interposing). Let me ask a question right there.

Mr. REED. Yes, sir.

Senator CONNALLY. You said the war in your opinion has brought about a situation where you can't tell us much. Is that it?

Mr. REED. I beg your pardon?

Senator CONNALLY. You say the war situation has created a position, according to your mind, that you can't tell us much about these things. Is that the substance of your testimony.

Mr. REED. Not at all, Senator. I simply question—

Senator CONNALLY (interposing). That is what we wanted to find out, to find out something. If you are going to come up here and say we have a war now and you can't tell us and you are going to decide whether we can help, there is no use of our going on.

Mr. REED. Anything you want to know we will be very glad to see that you find out. As far as we are concerned we are an open book, Senator. We leave it to you to decide, perhaps, whether or not at a public hearing data should be given with reference to foreign sources of our—

The CHAIRMAN (interposing). We are not asking you to do that at all. We are interested in the domestic source of supply.

Mr. REED. I know that, Senator.

The CHAIRMAN. There has been published in the Wall Street Journal a lot of information in which we are interested, and if it is in the Wall Street Journal evidently it is not secret information, so it wouldn't hurt to go into our record. I would suggest you go ahead and make your statement and we will question you along that line.

Mr. REED. The Materials Division of O. P. M., is divided into so-called commodity branches, each with its chief. The branches are divided up into what seem to be logical classes. For example, one com-

modity branch has copper and zinc, another one has tin and lead, a third has aluminum and magnesium. The branch chiefs in each case have complete responsibility for the material or materials assigned to them, and the chief and his staff review the situation with respect to them and deal with all matters relating to those materials. Anyone, the general public, wishing to be advised concerning the status of a particular material, may address himself to the branch chief regardless of whether the problem is one of priorities, production, conservation, or of supply.

O. P. M. having no money to spend or to lend, having no control over prices at which these commodities may be produced or sold, is in effect a coordinating, a stimulating organization. Its function, as we view it, is to analyze the problem, to consider every source that is available to it, to estimate the requirements, the apparent estimated supply, and, observing from those data the apparent shortage, if there is one, to plan to balance the difference between supply and demand in any way that may be at its disposal. The ways in which that is possible are two, principally: First, to increase the supply by approaching every producer of that material, whether he be domestic or foreign, explaining the problem, undertaking to secure his complete cooperation in stepping up production in every way that he can. Having reached a point where a producer feels that he is doing all that he can as a private enterpriser under existing conditions of price and of costs, O. P. M. then does indicate and has in a good many cases indicated to the producer that if Government help in terms of loans or of defense plants or of facilities will be effective in stepping up the production of that material, O. P. M. is prepared to recommend and refer him to the R. F. C. or to the proper agency of R. F. C., with its recommendation that arrangements be made for providing special help in the form of loans, subsidies, or the like.

Senator BREWSTER. Well, now, Mr. Reed, this is all pretty elementary. Of course, we have been over many phases of this for a long time, so that I think we understand something of the procedure. The question we are concerned with, for instance, is whether or not you found the necessity of any more lead this last year. Did you or did you not?

Mr. REED. Excuse me, sir?

Senator BREWSTER. Any more lead.

Mr. REED. The necessity for any more lead?

Senator BREWSTER. Yes.

Mr. REED. There is a shortage of lead.

Senator BREWSTER. There is a shortage. Now, whether or not production this past year, this present year, has increased over last year.

Mr. REED. The production so far in 1941 is ahead of the production for the same months of 1940, according to our estimates.

Senator BREWSTER. How much?

Mr. REED. I can't answer that specifically. I haven't the figures before me.

Senator BREWSTER. Aren't you prepared to testify on that? I thought that was what we were going to discuss.

Mr. REED. No; I do not have with me specific figures of production in lead or copper or zinc.

The CHAIRMAN. We have specific figures here, Mr. Reed, which show that the production of lead this year is behind the production of last year, very substantially; and we also have the figures here which show that the production of copper is only 15,000 tons greater than it was last year, and that the whole increase is in one company's mines; and I have here a statement from the Joplin Globe of Sunday, January 26, in which the secretary of the Lead Industries Association makes the statement that there need be no apprehension as to the adequacy of the supply of pig lead despite the variety and size of lead requirements. Then he goes on to say that domestic mines in that field alone could supply all the lead the country could possibly need, and yet that production of lead in that very field is behind what it was in 1940 and is far below what it was in 1926. That is true of the mines in Idaho, that is true of the mines in Utah, that is true in every lead-producing part of the country that we have got before us right here. I just want to know what the difficulty is. You gentlemen knew that we were going to need lead, that we were going to need zinc, that we were going to need copper, and what we are anxious to know is what you did to increase production out of the ground. It doesn't seem to have been done. This fellow has made exactly the same statement here about lead, singing us to sleep just like the Aluminum Co. did, and we are exactly in the same kind of situation in lead, copper, and zinc that we were in aluminum. I don't think there is any excuse for it, for I think there is enough lead, copper, and zinc in the ground in this country if we can get it out, to meet all the shortage that the whole world needs.

Mr. REED. I don't think you can talk in general terms as applied to all three of the materials.

Senator BREWSTER. Let's stick right to lead, then. You say there is a lead shortage. How long have you known there was a lead shortage?

Mr. REED. The indications from the data that we have had before us that there was a shortage in lead, an actual shortage, have been only within the last two or three months.

Senator BREWSTER. Up to that time you didn't appreciate that there would be any necessity of additional lead?

Mr. REED. Up to that time all the indications were, and I must say this has been true of many other materials—as you recall, a year ago aluminum was believed to be plentiful.

Senator BREWSTER. We have been into that.

Mr. REED. And we all thought there would be plenty of copper, and copper has since turned very tight. By the same token, lead, which is the last of the materials approximately in the order of their tightness, was not tight last spring, it was not tight during the summer. There were indications that it was becoming so, but until the last 2 or 3 months there hasn't been any serious indication of a shortage of lead.

The CHAIRMAN. From the information that we can get from the big producers, every one of them has cut down production, I will say a majority of them. The counsel corrects me and says not every one of them, that most of them have cut down production. But the general result is that the production for this year is not any greater than it was for last year in any substantial figure, and it was below

last year in lead production. In copper and zinc it is up a little, very little.

Mr. REED. We are by no means satisfied with the production situation in lead. There is no question about that.

Senator BREWSTER. How long have you been that way?

Mr. REED. We have wired, as you know, Mr. Knudsen and Mr. Hillman wired, all the lead producers back in November, urging them to take every step that they could to increase the production of lead by any means known to them, whether it be—

Senator BALL (interposing). When did you wire them?

Mr. REED. That was early in November; very early in November.

Senator BALL. Are they increasing production? Is November production up any?

Mr. REED. We are advised that it is. The St. Joseph Lead Co., for example, has gone to a 6-day week, and in a good many cases the reports to us, in any event, indicated that the labor situations were interfering to a degree; the cost situations, and then the price, were the three elements which were interfering.

Mr. FULTON. Which labor situations were interfering with production?

Mr. REED. Difficulties in going to more than a 5-day week.

Mr. FULTON. You mean the general question?

Mr. REED. That is right.

Mr. FULTON. In lead, as I recall it, it was November that this telegram was sent out asking the companies to go from a 40-hour 5-day week to a 48-hour 6-day week.

Mr. REED. Yes; it was broader than that; we asked them, in any way they knew of, to increase lead production because it was very essential that we get more lead, whether it be done by going to a 6-day week or a 7-day week or by putting on more shifts or by using any other means that they knew how to use, that we wanted it done, and wanted it done very badly; and that was signed by both Mr. Knudsen and Mr. Hillman.

Mr. FULTON. What was done before that, if anything?

Mr. REED. Before that it was a matter of the chief of our lead branch in private, personal consultation with the lead producers, urging them to step up their production of lead. There was no general, industry-wide appeal, so far as I know.

Senator HALL. When did this personal consultation start?

Mr. REED. These personal discussions?

Senator BALL. Yes.

Mr. REED. Well, Mr. Vogelsang, who is the chief of the lead and tin branch, can answer that better than I.

Senator BALL. Is he here?

Mr. REED. He has been in touch with that industry since last spring.

Senator BALL. Is he here?

Mr. REED. I don't think he is here in the room. He could be available if you would like to talk to him.

Mr. FULTON. We sent out a request to the larger producers of lead as listed by Mr. Vogelsang, asking them to give us the actual lead that they produced during the months of July to November, 1940, and for the corresponding months of 1941, and company after

company has reported a decrease during those months. Did the O. P. M. know that such decrease had taken place?

Mr. REED. Well, I can't answer that specifically. We knew surely whenever the figures of production came in, and we get them monthly.

Mr. FULTON. Do you have those figures in the O. P. M.?

Mr. REED. These figures that you are speaking of now?

Mr. FULTON. Yes.

Mr. REED. We get figures from the industry each month.

Mr. FULTON. From each company each month?

Mr. REED. I am not sure whether they come from each company or whether they come through the association, but we get data each month from them now. We put a lead order out, you know, in October, in which they are now required to file questionnaires with us each month giving a great deal of data concerning their production, their stocks and shipments, and requiring them also to apply it first, of course, to defense purposes.

Senator BALL. Have you anybody out in this lead zinc field just riding this thing and following through on it and seeing that they put on double shifts or triple shifts and go to a 6-day week and get this production?

Mr. REED. Yes, sir; we are following it. As I tried to explain to you, O. P. M. has no authority over the industry; it has nothing that it can do to industry to command them to do this or to do that.

Senator BALL. Who has?

Mr. REED. Our job is to present the problem to them, to urge them, persuade them, and there is no lack of willingness—I am dead certain of that—on their part to play ball.

Senator BREWSTER. Just a moment.

Mr. REED. Yes, sir.

Senator BREWSTER. I think you would have been very much illuminated if you had been here yesterday and heard the testimony that they didn't want to increase production because they felt they were not dealt with fairly by the Government. They testified to that. They didn't want to increase production. So I think it is very late in the day to come here and say that they want to when they testified they didn't. They feel they are not getting a fair deal. Well, that is not our immediate province; our immediate province is lead to win the war. Now, is there anybody in your organization who is familiar with the fact that lead production has declined in the last 5 months over a year ago? You testified that you thought it had increased, which indicates that you, at any rate, have not been in touch with the facts.

Mr. REED. My impression is that for the first 10 or 11 months of this year the total domestic production of lead is ahead of the similar 10 months of 1940. I recognize, and I know to be true, that in September and October the lead production for those months fell off as against the similar corresponding months of last year, and I am speaking only from memory and from impression, but the point I was trying to make to you was this: That there is no power or authority in O. P. M.—

Senator BALL (interposing). Who has this property requisitioning power?

Mr. REED. Property requisitioning power?

Senator BALL. Yes.

Mr. REED. The O. P. M. has the power to requisition stocks.

Senator BALL. Isn't that an ultimate power to do so?

Mr. REED. It has nothing to do, as I understand it, with production.

Senator BREWSTER. I would like just to finish this question. I have before me the figures for the 12 months—now estimated apparently for December—estimated at 40,000 tons, following the totals, showing that the January production in 1941 exceeded the October production by 46 percent. In other words, there has been a progressive decline. Apparently you have some knowledge of that.

Mr. FULTON. That includes refining from scrap, too. You should put that in.

Senator BREWSTER. That includes the refining from scrap.

Mr. FULTON. Yes; and mining is a little bit better if taken alone than it is if you take the combined primary from mines plus secondary from scrap. We haven't been able to obtain from any source monthly figures on mining alone, but this is the nearest that we can get in this, and it is impossible to reconcile the two figures.

Senator BREWSTER. Well, according to these figures, then, the monthly average which I have before me of 1940 was 38,116 tons, and the monthly average from January to October 1, 1941, was 37,785 tons; in other words, you are 400 tons a month in 1941 average under 1940.

Mr. REED. I haven't seen those figures.

Mr. FULTON. The first figure which Senator Brewster read, giving that larger showing of loss, came from Vogelsang of your department. We have never received any further figures along that line from him. The second figure which the Senator read came from the Bureau of Mines. The two are not capable of reconciliation as far as we can see, but using the more favorable figures, which he did, and assuming that scrap production has accounted for most of the loss, there is still a net loss in lead this year.

Mr. REED. In primary production?

Mr. FULTON. Yes. Now, didn't you know that, Mr. Reed?

Mr. REED. No. My personal figures that I looked over just this morning before coming over here were that for each month up until August, at least, the domestic production of primary lead, not including the secondary, was ahead of the corresponding month of last year. I don't think there is any need to argue about it, because the figures are figures and I don't propose to be dogmatic about it at all, but that is still my impression.

Senator WALLGREN. My suggestion is that if this Government wants a greater production as far as lead is concerned, they had better increase the price of it. Do you know anything about the price of lead during the last war?

Mr. REED. Well, I know it was very greatly above the present prices. I don't know just what the prices were.

Senator WALLGREN. All of the other strategic metals have increased the price considerably while lead has been held back, hasn't it, as far as price is concerned?

Mr. REED. Copper and zinc prices, as you know, were raised in October by the O. P. A.

Senator WALLGREN. What is the present price of the metal?

Mr. REED. The present price is 5.85.

Senator WALLGREN. I don't recall myself what the price was in the last war.

The CHAIRMAN. It was about \$125 a ton. I can tell the Senator, for I had a lead mine at that time.

Senator WALLGREN. Don't you feel, Senator Truman, that the price of lead today is down compared with the price of other material?

The CHAIRMAN. Yes; I think the price of lead is a little lower than it ought to be, but I don't think that is what is the matter with the situation at all.

Senator WALLGREN. I think it is, and I think the people engaged in that industry are not going to buckle down to it unless——

The CHAIRMAN (interposing). If you read this article to which I referred a while ago, the mining operators were making this speech, that there was no possible chance of a shortage in lead, so that there wouldn't be any tariff reduction for the lead imports from Mexico and Canada; that is what they had in their minds. The present price of lead is perhaps a little lower than it ought to be, maybe a cent a pound, but if what this statement says is true, that should not have created the present shortage. We have been importing about 140,000 tons of lead from various places, most of which has been exported before this war came along. We have used our own domestic lead for our own domestic supply. Now, we suddenly find here, along in November, that there is a shortage of lead, and orders were issued to cut off the 5 percent that supplies little industry and close up that little industry because somebody has overlooked a bet, either the operators or O. P. M. or somebody has let this shortage accumulate while we are living in the false idea that we had all the lead we wanted and could get it any time we wanted it. I think we can still get it.

Senator WALLGREN. Are there any operators who will testify here?

Senator BREWSTER. We had the operators yesterday. Now, here is what——

The CHAIRMAN (interposing). We are going to give them a chance to clear themselves if they can.

Senator BREWSTER. As it appears to me—and I would like to have the comment of Mr. Reed—I don't see how we can hold operators or labor or anybody but O. P. M. responsible for any lead shortage if, as Mr. Reed testifies, he had no knowledge there would be a shortage until a month or two ago. Certainly if O. P. M. didn't know that you couldn't expect operators or unions or anybody else to know it, and Mr. Reed has so testified. Now, I think the question we want Mr. Reed's comment on is how this shortage so suddenly developed, why there wasn't earlier information. We have been through it with aluminum, magnesium, with various other metals, always the same story, the song that everything is all right. Then all of a sudden we come plunk up against the fact that there is a shortage. How do you explain it, Mr. Reed?

Mr. REED. Well, these shortages develop, Senator, in lead just as they did I assume in the case of copper and these other materials; they develop from a number of different things. First, they develop because tightness in one material causes a trend toward the other, substitution, in other words. The minute one material becomes tight it affects all the others down the line. Lead happens to be the last one, and so from aluminum to copper to tin to lead. Lead is under pres-

sure now from a good many different points because all of those materials that are tighter than lead are forcing people into using lead where they would normally use the other metals.

Senator BREWSTER. Oh, that! What about the shortage for defense requirements as distinct from other domestic civilian requirements? What can you say on that?

Mr. REED. There is no shortage for purely defense requirements. There will be ample lead to meet all defense requirements as we know them today and as we have been advised by the services of those requirements.

Senator BREWSTER. For how long a period?

Mr. REED. For an indefinite period.

Senator BREWSTER. At the present rate of production?

Mr. REED. Yes, sir.

Senator BREWSTER. And then your difficulty is in the civilian demand?

Mr. REED. That is right.

Senator BREWSTER. For other than defense requirements.

Mr. REED. That is right. It is very difficult, as you know, to draw the line between defense and nondefense. They meld, they are so closely interrelated that it is awfully difficult to draw the line between them, but generally speaking, I say to you that there will unquestionably be enough lead for all direct known military requirements and there will be enough lead for both direct and indirect military requirements.

Senator BREWSTER. Do you think you can substantiate the proposition that this shortage is a result of increased civilian demand?

Mr. REED. I think this shortage is the result, as I have said, of a good many things.

Senator BREWSTER. I asked if you could substantiate that position. Have you figures that would indicate that it is the increased civilian demand that you have not anticipated?

Mr. REED. No; it is a combination of demands, a combination of both military direct and indirect, and civilian.

Senator BREWSTER. Do you recognize the responsibility of O. P. M. for other than defense requirements?

Mr. REED. Yes, indeed.

Senator BREWSTER. You recognize that you are responsible for our whole economy?

Mr. REED. Yes. The civilian supply division of O. P. M. is directly interested in civilian supply.

Senator BREWSTER. Have you any figures on this situation with you?

Mr. REED. On the lead situation?

Senator BREWSTER. Yes.

Mr. REED. No; I have no figures with me.

Senator BREWSTER. On any other situation.

Mr. REED. I have no figures with me this morning. I would be glad to get anything that you would like.

Mr. FULTON. The committee has been trying to get figures which the O. P. M. says it is not able to give the committee. It is some reflection, I think, that they are not able to compute figures on these various items.

Mr. REED. We furnished the committee with a large volume of figures, Mr. Fulton, as you know, of course, in the past 10 days.

Mr. FULTON. We have figures, but we haven't any fraction of the rather simple requests that we made as to the figures of production of various companies. Now, do you have with you or have you seen the figures that Mr. Vogelsang and Mr. Ayer gave us on materials?

Mr. REED. No; I haven't any figures with me, as I say. Whether I have seen all the figures that those gentlemen sent to you, the answer is I believe I have. Certainly copies of all of them were sent to me, or should have been sent to me.

Mr. FULTON. Did you have any figures this morning which were not sent to us and which you have not brought over?

Mr. REED. No, sir.

Mr. FULTON. You are sure any figures that you saw this morning were figures that we had?

Mr. REED. I am sure that any figures that I have seen are figures that are available to you. Whether all the figures that I have seen have been sent to you I can't answer, I don't know.

Mr. FULTON. Will you send over to us the figures you looked at this morning so that we can see whether they are among those which the O. P. M. is unable to furnish the committee although requested some 2 or 3 weeks ago to do?

Mr. EATON.¹ We anticipated having the individual chiefs of these branches go on to answer any information you want that we have available to you, so that my suggestion would be that for specific figures, either for companies or for industries, to the extent that we have them, those will be with the branch chief and with our Bureau of Research and Statistics, and it wasn't my purpose—I am responsible for this—to have Mr. Reed go into the detailed figures. If you would like to have him do so—

Mr. FULTON (interposing). You recall that the request was not for Mr. Reed but was for anyone, no matter how low his position might be, who knew the figures.

Mr. EATON. Correct. We understood this morning that you wanted Mr. Batt or Mr. Reed to start off.

Mr. FULTON. No; that is definitely a misunderstanding because the O. P. M. said they wanted Mr. Batt and Mr. Reed. We said, "We will take whoever you have. It matters not to us."

Mr. EATON. I am sorry there was a misunderstanding, but I want to make perfectly clear that Mr. Reed didn't come over here prepared to go on with detailed figures. That is a mistake in our office, perhaps, and I regret it.

If you like, Mr. Church is here who will take up specifically your copper figures.

Mr. FULTON. Is Mr. Ayer here?

Mr. EATON. We will have Mr. Vogelsang and Mr. Ayer as soon as Mr. Church is through. I would suggest that Mr. Church go on first and have them or anybody else come over while he is testifying, in any order you would like.

Mr. FULTON. I think it might be well that we hear from Mr. Reed along any line that he cares to make a statement. The committee's

¹ Fred Eaton, Assistant Counsel, Materials Division, O. P. M.

interest would be in asking specific questions on specific matters, as I understand it.

Mr. EATON. I would suggest that Mr. Church take up the copper picture, and we will have Mr. Vogelsang before you whenever you care to hear him on lead and on tin, and we will have Mr. Ayer on production of copper, so that you may go into the detailed figures.

The CHAIRMAN. That will have to be at a later date because the committee has another witness who will have to be heard this morning.

Anything Mr. Reed wants to add to his testimony we will be glad to have him do so this morning.

Senator BALL. Mr. Reed, if I understand this O. P. M. set-up, the function of the Materials Division was to see to it that we had enough raw materials when we needed them; that is its primary function, isn't it?

Mr. REED. Yes; that is its objective; there is no question about it.

Senator BALL. And, of course, they have failed completely, as indicated by the testimony we have had up here. It seems to me that in this kind of emergency when an agency flops that way, if I were running it I would give it to somebody who could do the job. But that is water over the dam. At least, you know now that there is a shortage.

I wasn't here yesterday afternoon, but the chairman tells me these lead operators told us that production could be doubled in the present mines.

Mr. REED. That what?

Senator BALL. That production could be virtually doubled.

The CHAIRMAN. Substantially increased, at any rate.

Mr. REED. At present prices?

Senator BALL. I don't care how you do it. It seems to me that it is the job of O. P. M. to see that the total increase possible is brought about in the shortest possible time, and the Government ought to find somebody who can do it.

Mr. REED. You recognize the limitations on O. P. M.'s authority to act, don't you?

Senator BALL. I haven't heard anybody coming up here asking for more authority. They seem to be content with what they have got. They just run around in circles and O. P. M. passes the buck to the Army and the Navy, and they pass it back.

Mr. REED. I know.

Senator BALL. Or give it to Jesse Jones, and nobody gets anywhere.

Senator BREWSTER. Well, I think that Mr. Reed has very definitely taken a responsibility. He says that until, shall we say, 30 or 60 days you had not appreciated there would be any shortage. Is that correct?

Mr. REED. I said that statistically a matter of 90 days ago there was an actual excess of demand over supply.

Senator BREWSTER. It was 90 days ago that that first appeared?

Mr. REED. Within the last 2 or 3 months, I can't tell you exactly. It was in October that our lead order was issued, and that was when the shortage appeared.

Senator BREWSTER. You would very definitely recognize your responsibility for finding that out as against any other agency or private group?

Mr. REED. Yes.

Senator BREWSTER. Under the present function?

Mr. REED. Yes.

Senator BREWSTER. That certainly doesn't require authority. That just requires facts.

Mr. REED. Unquestionably the job of the O. P. M. Materials Division is to find out whether a shortage exists and to prognosticate one, if it can, in advance of its coming into being.

Senator BREWSTER. Please emphasize prognosticate. You will recognize, I suppose, it takes more than a couple of days to get some lead. You have to anticipate.

Mr. REED. There is no argument between us about that.

Senator BREWSTER. Now, that being your responsibility, you now say that when you discover that you have no authority really to deal with it; is that correct?

Mr. REED. That is right. We have no way by which we authoritatively can increase the supply. All we can do is to urge and to recommend. Beyond that we have no authority. We recognize the problem. We have the authority to distribute the existing supply to points where it will do the most good, but as far as net increasing it from the production standpoint, we have no authority to do that. We have authority to increase the supply in reverse by cutting off nonessential uses and saving it thus for essential uses or military or highly essential civilian use. But at the source end there is no way that O. P. M. can, except by encouragement, urging, persuasion, by recommendation on other Government agencies, actually increase the tonnage output of copper or zinc or lead or of any other material.

Senator BREWSTER. Now, you do recognize the imperative necessity of some such authority somewhere in Government under this current crisis, do you not?

Mr. REED. The necessity for some such authority?

Senator BREWSTER. That such authority shall exist somewhere.

Mr. REED. Well, I don't think the authority is so important as it is that coordination between the various agencies that are interested in this problem be obtained.

Senator BREWSTER. Yes.

The CHAIRMAN. I want to ask you one question: I notice that the problem seems to be a shortage for domestic use. The first thing to do is to cut off the users. Wouldn't it have been just as easy to go to the other end and produce some more so we would have enough for those users?

Mr. REED. Our experience has been that we have to do both, Senator. Certainly in copper we have projected some very substantial increases in our copper output. At the same time we have had to conserve at the other end by cutting off a great many desirable but unnecessary uses of copper, and we are still short.

The CHAIRMAN. The first thing you do, though, is to cut off the use and then try to get production. Did you ever try to get production first and then cut off the use?

Mr. REED. No; that isn't the first thing we do. The first thing we do is to try to get more production. Actually, we move together with these things because we have found that when a shortage develops we have got to take every step we know at both ends.

Mr. FULTON. Do you know when the first Government assistance for increasing the production of copper became effective? Have you any idea when that first became effective?

Mr. REED. The first Government assistance, you mean, in terms of a subsidy or of an advance grant of money?

Mr. FULTON. In terms of anything, subsidies, advance in money, or assistance of any kind. When did you first make that available to any producer company?

Mr. REED. I don't know of any Government arrangement whereby financial help was provided for until this last summer, late July or August.

Mr. FULTON. Was there any provided in August?

Mr. REED. There were a good many negotiations pending, I know, in August between the R. F. C. Whether any contracts were actually closed, deals closed, I don't know, but I do know that progress was being made physically and actually in the direction of increasing supply or enlarging facilities.

Mr. FULTON. The only progress, I assume, would be in actually starting to produce.

Mr. REED. Oh, no; it takes months and years to get ready to do these things.

Mr. FULTON. Well, you think the O. P. M. in August made a recommendation to the Defense Plant Corporation, and, if so, what recommendation?

Mr. REED. Well, I know that in July and August——

Mr. FULTON (interposing). Which one was recommended in July to the Defense Plant Corporation?

Mr. REED. I'm sorry, I can't get into specific ones because if I mention any I will certainly miss out on some, but there were, I would say, a dozen specific projects referred by us, that is to say by O. P. M., to Metals Reserve or to Defense Supplies, to W. L. Clayton or Mr. Jesse Jones during the months of July and August of this year, projects involving either recommendations for the purchase of copper at prices above the ceiling or recommendations of funds to be advanced by way of R. F. C. loans to help them equip or build new mine or mill facilities or the outright expenditure of Government funds to build a defense plant.

Mr. FULTON. Let's take probably copper as an example and go through with it so far as the O. P. M. has given us information on it. When did you first realize in O. P. M. that there was a shortage of copper, or would be one?

Mr. REED. About May.

Mr. FULTON. Then why was it that you didn't even address an inquiry to the producers until July 9?

Mr. REED. That is not an accurate statement. You are talking about the July general meeting in which substantially all producers were invited to come to Washington to discuss the problem as a whole. Mr. John Church will tell you that long before that discussions with individual producers were in process examining into and investigating the possibilities for their increasing the supply.

Mr. FULTON. You have records of those discussions?

Mr. REED. Mr. Church can answer that question better than I.

Mr. FULTON. I mean, do you know of any discussions? You place the knowledge of the shortage in May. What part of May?

Mr. REED. I can't answer that.

Mr. FULTON. Was it before or after this committee held hearings on aluminum?

Mr. REED. I can't answer that. I have forgotten just when your hearings on aluminum were held.

Mr. FULTON. Did Mr. Batt ever tell you of his conversation with me about copper in May?

Mr. REED. No, sir.

Mr. FULTON. But you knew of the shortage of copper in May.

Mr. REED. The shortage of copper became very apparent in the month of May.

Mr. FULTON. I asked for the first time that the O. P. M. took action with respect to copper, and I was furnished with a letter dated July 9, which Mr. Henderson and, I think, Mr. Knudsen or some other official signed, addressed to the 12 largest copper producers, and only to the 12, and that letter called for a meeting in the Washington Hotel, I think, on July 17. Am I not correct?

Mr. REED. That is right, if I recall correctly.

Mr. FULTON. And that letter simply said, be prepared to discuss the extent to which you can increase copper either by price or tax or other changes. Now, that meeting was held. At that meeting, did you ask these copper producers to present to you a written statement of proposals of increase, or was it only an informal discussion?

Mr. REED. We asked each of them to make a statement at the meeting.

Mr. FULTON. An informal statement?

Mr. REED. Yes; that is right.

Mr. FULTON. Which you agreed to accept confidentially?

Mr. REED. I don't recall that there was any agreement to accept confidentially. What we did was this: We asked them to state to us in general terms, because this was quite a large meeting, and obviously we couldn't conclude anything in a meeting of that character, but we wanted all of the large producers to be represented and to know and to hear at one time and from one group how seriously this matter was regarded, so that they would each know that all of them had been urged to take steps. Then each of them having responded and made a statement specifically or generally as to what they thought might be done or what avenues called for further investigation, we appointed several individuals to follow up with each of the companies and to explore with them in much more detailed fashion the steps they could take to increase production and the manner in which Government help might be required to do that.

Mr. FULTON. Then wasn't that the first time when you started any detailed action to get any increase in copper, after the 17th of July?

Mr. REED. I don't know what you mean by detailed action, Mr. Fulton. Certainly that was the first general industry approach.

Mr. FULTON. That was the first time you asked the copper producers for a specific proposal from each of them, and I haven't been able to find any specific proposals that were received at that time in the form of a definite proposal to enter into a contract with practical and definite terms known.

(Senator Brewster took the chair.)

Mr. REED. Well, no contracts, of course, would be made between O. P. M. and the copper companies. Those would be made between the Defense Plant Corporation or one of the R. F. C. defense financial agencies.

Mr. FULTON. I mean where you had the specific proposal for at least your ratification so that they could go over and talk with the Defense Plant Corporation on a basis of actually having had a clearance from O. P. M., there was nothing of that kind done prior to the 17th of July, was there?

Mr. REED. Prior to the 17th? Well, I am not certain about it. I didn't get into this materials end until July 1 and that would be hearsay before that.

Senator BALL. Mr. Reed, a few minutes ago Senator Brewster asked you whether you didn't think it was about time somebody had authority really to do something about getting more materials, and if I heard your answer correctly, you said that you felt what was needed was somebody to coordinate. It seems to me that is what O. P. M. was set up to do, to coordinate Jesse Jones and the Army and the Navy.

Senator BREWSTER. Mr. Ickes.

Senator BALL. And Mr. Ickes. And so far as we have been able to discover up here, coordination is just another name for the good old army game of passing the buck. We never could find out who was responsible for not getting more aluminum production, for instance. The O. P. M. blamed somebody else, and somebody else blamed Mr. Ickes, and somebody else blamed Mr. Jones, and we didn't get anywhere.

Mr. REED. I think the answer to all of these cases has been a mistake in the estimate of the demand. Production in almost every case has either equaled or exceeded the estimates which industry has given. Certainly that was true in aluminum and it has been true in copper. It has been true in zinc.

Senator BALL. It is pretty obvious that on the planning end of this job, on forecasting needs, you have done a terrible job.

Mr. REED. It has been poor.

Senator BALL. But on this coordination job it seems to me that has fallen down because you began a year ago trying to get more aluminum production, and the negotiations dragged along, there was a conference and first one agency held it up, the Federal Power Commission, and then Ickes, and then Jones. You were just going around in circles. Isn't it about time that somebody, some one agency, had the responsibility and the authority to do this job, and then if it wasn't done you could at least get rid of one guy and get another and tell him to do it or else. Isn't that what is needed right now? Coordination is no answer, it seems to me, and Government with bureaucracy coordination is just another name for passing the buck.

Mr. REED. Quite right. You are talking now of the over-all plan, the program, governmental, as far as the various agencies of the Government are concerned that are delegated responsibilities for some part of this defense effort.

Senator BALL. We can't take 2 months to pass this project to increase lead production around to this agency and that agency and let this little bureaucrat over here raise some little objection and it goes

around and around and we never get more production. We will iron out this stuff later.

Mr. REED. But you recognize that in order to get to production a great many things have to be right.

Senator BALL. Oh, sure, but I don't think you have to take months and months to iron them out. You can get six individuals together and lock them in a room and tell them that they are to come out with the answer.

Senator BREWSTER. Isn't this the essence of the thing, that there is no one outside the President who can tell everyone where to get off? You have the responsibility of finding out shortage, but having done that, all you can do is tell Mr. Jones or Mr. Ickes or somebody else, "We need some more; can't you do something about it?" Now, if they don't do something about it (and we have had the aluminum case where there was very considerable delay) there is nothing you can do about it; all you can do is continue to talk and write letters and tell them we need aluminum, we need lead, we need these things, but there is nothing you can do to get it; you can go to the President, but you can't keep running to the President of the United States telling him that Mr. Jones is falling down on the job or Mr. Ickes and Mr. Jones are calling each other names; you can't do that.

Mr. REED. We could go further than simply to reiterate the need. We could plan it. We could indicate the manner in which we believe it could be gotten.

Senator BREWSTER. Yes; but you still could not execute it and there is no power under heaven outside of the White House desk where this thing can integrate. Is that correct?

Mr. REED. You mean any one desk.

Senator BREWSTER. That is right.

Mr. REED. There is no one spot that I know of or any one man who can deal with that whole situation.

(Senator Truman resumed the chair.)

Senator BREWSTER. Have you read the experiences of our last war in procurement?

Mr. REED. Yes.

Senator BREWSTER. Are you familiar with the industrial mobilization plan of the War and Navy Department?

Mr. REED. Yes, sir; in general.

Senator BREWSTER. And was not the whole essence of those that we must have one such individual who could be held responsible for this job?

Mr. REED. Yes; I believe that is the recommendation in it.

Senator BREWSTER. Yes. And has there been anything in your experiences this past year to indicate that that wasn't a pretty wise recommendation?

Mr. REED. Well, my experience has been limited to O. P. M. The difficulties of O. P. M. have been, I think, the kind of difficulties that almost always are met when a group of men are thrown together and required to do a job in a whale of a hurry.

Senator BREWSTER. And with no authority to do it.

Mr. REED. That is right, and without complete authority located at any one spot to do that.

Senator BREWSTER. What was your business background, Mr. Reed?

Mr. REED. I think the reorganizations that have taken place as we have proceeded have been in the right direction.

Senator BREWSTER. Oh, yes.

Mr. REED. I think we are improving. I don't think we are perfect by a very long way.

Senator BREWSTER. But unfortunately Mr. Hitler isn't waiting.

Mr. REED. That is quite right.

Senator BREWSTER. What is your background of business experience?

Mr. REED. In private life I am with the General Electric Co. I am chairman of the board.

Senator BREWSTER. How many years have you been in that position?

Mr. REED. I have been with the General Electric since 1926. I have been chairman since January 1, 1940.

Senator BREWSTER. In that organization there is very definite centralization of authority and responsibility, isn't there? You don't hold a man responsible for a job unless he has the authority to carry it out?

Mr. REED. Quite right.

Senator BREWSTER. And so we can't really say O. P. M. is to blame for not getting aluminum and copper if O. P. M. has no authority to get aluminum and copper. That is right, isn't it?

Mr. REED. That is a generalization, Senator. We aren't seeking to avoid responsibility at all.

Senator BREWSTER. I feel that our whole war effort is at stake, and I think the sooner we get the whole thing cleared the better. There has been somewhat of a tendency on the part of the boys to play soft. Now, I think the time has arrived when they have to talk plainly, and I think everybody has got to call them just exactly as they see them. If you can't get lead, we have got to find out why it is. That is what I understand our function is.

Mr. REED. Quite right.

Mr. FULTON. Now, with respect to July 17, that being the first day on which you held a meeting, have you looked over this work sheet that the O. P. M. prepared to show the date on which it first found certain problems to exist, and the dates on which it first did something about it?

Mr. REED. I don't recall having seen that work sheet that you speak of, Mr. Fulton.

Mr. FULTON. Well, I had assumed that you would be looking over the material that the committee had asked for and which was sent.

Mr. EATON. Mr. Fulton, I will again remind you that Mr. Reed didn't come up prepared to testify on the details, and whoever prepared that sheet we would be very glad to have appear here and testify as to what appears on the sheet.

The CHAIRMAN. We will ask you right now, at a future date to ask him to come up here.

Mr. EATON. Fine.

The CHAIRMAN. Is Mr. Church here?

Mr. EATON. Yes; he is here. I never saw the sheet myself.

The CHAIRMAN. Let Mr. Church come over here and tell us about it. That is all, Mr. Reed.

Mr. Church, do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God, in the testimony you are about to give before this committee?

Mr. CHURCH. I do.

The CHAIRMAN. Will you give your name and connections, Mr. Church, to the reporter?

TESTIMONY OF JOHN A. CHURCH, SENIOR CONSULTANT, COPPER AND ZINC BRANCH, OFFICE OF PRODUCTION MANAGEMENT

Mr. CHURCH. John A. Church; I am senior consultant of the Copper and Zinc Branch of O. P. M. Up to November 17 I was the chief of the branch.

Mr. FULTON. In private life what was your occupation?

Mr. CHURCH. I was a consulting engineer with an office of my own.

Mr. FULTON. And what was the nature of your clientele?

Mr. CHURCH. Mostly the copper companies.

Mr. FULTON. When did you first start work on copper in the O. P. M.?

Mr. CHURCH. I came down on October 28, 1940, as a member of the staff of the National Defense Commission, O. P. M. not having then been organized. Upon the organization of O. P. M. I was transferred to the production department. There was a change in the organization set-up as of July 1 when the commodity branches were formed, which included what the production division had not previously had in its hands, and that was advisory work on allocations of metals.

Mr. FULTON. Did you work on the questions that arose in the fall of 1940 with respect to offers by various people to import copper into the United States?

Mr. CHURCH. Yes.

Mr. FULTON. What position did you take with respect to whether that copper should or should not be imported?

Mr. CHURCH. I advised its being brought in.

Mr. FULTON. Was there a difference of opinion by others in the O. P. M. at that time?

Mr. CHURCH. None.

Mr. FULTON. You know of no difference?

Mr. CHURCH. I know of no difference.

Mr. FULTON. And was all of it brought in that was offered, or did you sign a contract for a lesser amount?

Mr. CHURCH. We signed no contracts, Mr. Fulton.

Mr. FULTON. Were arrangements made for all that was offered or only for part?

Mr. CHURCH. Recommendations were sent over to the buying agency, Metals Reserve Co., a subsidiary of the Reconstruction Finance Corporation, and those recommendations were rapidly increased as to tonnage, and the Metals Reserve Co., we have found, has cooperated completely in getting in all the foreign productions that were offered to them.

Mr. FULTON. The first time that arrangements were made, did you make arrangements for all that was offered or were those arrangements made only after a period of some time elapsed?

Mr. CHURCH. Let me go back to the successive steps that were taken. On November 7, 1940—

Mr. FULTON (interposing). I didn't want to bring in the name or the source or the quantity.

Mr. CHURCH. I understand.

Mr. FULTON. Because of the request that those be kept quiet, although I think, as you know, they have been rather widely published.

Mr. CHURCH. I presume that they have.

On November 7, 1940, the representative copper producers were invited to a conference with the representatives of the National Defense Commission. The whole question of requirement was gone into at that time. I should like to add, in that connection, that the requirements of the Army and Navy were estimated by the services at that time at less than 200,000 tons a year. The estimate is possibly four or five times that now. So it seemed advisable at that time to bring in some foreign copper, and a recommendation was made to the Reconstruction Finance Corporation to act through its subsidiary to bring in such copper and make it available for domestic use.

Mr. FULTON. To bring in some or to bring in all that could be brought in?

Mr. CHURCH. Some. At that time it was only some because no one who had examined the requirements of the services could find reason for more than what was at the moment regarded as a revolving stock.

Mr. FULTON. Even for a stock pile.

Mr. CHURCH. Even for a stock pile. It shortly developed, when I say shortly I mean about January and February 1941, that requirements were going to be considerably greater on the part of the services than they had estimated in November of 1940, and the ante was raised correspondingly with Metals Reserve Company by recommendation, and Metals Reserve Company immediately responded by buying all the copper that was offered.

Mr. FULTON. Could you place more nearly than Mr. Reed the date when this shortage of copper was first ascertained, that is what part of May was it?

Mr. CHURCH. Well, that there was a tremendous demand for copper was apparent as early as March 1941.

Mr. FULTON. Now, by apparent, do you mean that your office reached that conclusion, put it down in the recommendations to Mr. Knudsen or Mr. Stettinius, and if so, could the committee see a copy of it?

Mr. CHURCH. No; the course of events was not just what you have outlined, Mr. Fulton.

Mr. FULTON. I mean by the time when you recognized the shortage, the time when you first took the position that there was a shortage that the O. P. M. had to correct, when was that, when you informed Mr. Knudsen, for example, that there was a shortage?

Mr. CHURCH. I should say that by May it had become apparent that the total defense requirement plus a very much inflated civilian demand was not going to be met by the copper available.

Mr. FULTON. And was that followed by a statement sent to Mr. Knudsen to the effect that there was such a shortage?

Mr. CHURCH. I do not believe that any formal statement was made to Mr. Knudsen. We were in touch with our superiors and they with

Mr. Knudsen, and whether that was publicly in the form of a memorandum or not I do not know.

Mr. FULTON. Do you know when there was, for the first time, a memorandum of any kind that you can show us in your office constituting a recognition that there would be a shortage?

Mr. CHURCH. No. I can look it up, Mr. Fulton, but I don't remember that there was. The shortage to date is not a shortage for defense requirements. It is a shortage for defense plus a very large civilian requirement. It should be remembered that as—

Mr. FULTON (interposing). It is true that most of these materials—

Mr. CHURCH. As one metal is devoted more particularly to defense requirement, a great deal of the private manufacture, that is, manufacture for private use, of articles made from that article is transferred to another metal, so that as aluminum became tight, a greater load fell upon copper.

Mr. FULTON. That is true; and the O. P. M. asked these people to make transfers?

Mr. CHURCH. It did.

Mr. FULTON. And substitutes?

Mr. CHURCH. It did. However, the substitution was not asked for specifically in copper. In this particular instance the mere facts of physics took care of that. The copper has an electrical conductivity greater than that of any other metal except silver. The conductivity of aluminum is considerably less, but aluminum has been used in long-distance transmission for certain other economies, notably that of weight. As aluminum was devoted to defense requirement, it was obvious that the only substitute could be copper, so there need be no request in the case of long-distance transmission—

Mr. FULTON (interposing). You were speaking generally of materials and these substitutions are not substitutions which the O. P. M. was not aware of?

Mr. CHURCH. No; that is true.

Mr. FULTON. They were substitutions which the O. P. M. was requiring?

Mr. CHURCH (interposing). Well, they were inevitable in large measure.

Mr. FULTON. Not only requiring, but calling companies and telling them to substitute?

Mr. CHURCH. That is true.

Mr. FULTON. For example, in the question of foil substitution of lead for aluminum, very properly, and in the substitution of die castings.

Mr. CHURCH. I can't give any testimony on lead, Mr. Fulton. That has not been my province.

Mr. FULTON. In the question of die castings, there was a request that they substitute plastics for die castings?

Mr. CHURCH. Yes.

Mr. FULTON. And that could be added to indefinitely?

Mr. CHURCH. Indefinitely; yes, sir.

Mr. FULTON. Well, then, if you can find the first memorandum where there was a written recognition of the existence of a shortage in requirements, will you do so?

Mr. CHURCH. I will certainly look that up.

Mr. FULTON. In metal or zinc. In respect to that July 17 meeting, there thereafter occurred, as I understood Mr. Reed, discussions for the purpose of getting something specific as a proposal from the specific producers of copper.

Mr. CHURCH. That is true.

Mr. FULTON. Now, was that largely confined to the 12 largest copper producers or did it go down to cover all copper producers?

Mr. CHURCH. No; it covered all the copper producers. I should like to inject in there, if you will permit me, Mr. Fulton, the statement that production is a function of many things, among them price. Now, O. P. M. has nothing to do with price. That is not within its powers or within its province, and it was not until arrangements had been completed with the Office of Price Administration looking toward methods of raising the price on certain productions that there was any possibility of bringing in marginal mines unable to operate at the previous 12-cent ceiling.

Mr. FULTON. When for the first time did you get a submarginal price for copper?

Mr. CHURCH. A submarginal one—I see what you mean.

Mr. FULTON. The second price level.

Mr. CHURCH. Over and above 12 cents?

Mr. FULTON. Yes.

Mr. CHURCH. That first applied to three Michigan producers, not by way of increasing their production but by way of protecting the productions that they were already bringing out and which were threatened by increasing costs and rapidly becoming marginal by the mere operation of cost factors.

Mr. FULTON. When was that done the first time?

Mr. CHURCH. It was done, I believe, as the immediate consequence of the July 17 meeting.

Mr. FULTON. I asked for the date when it was actually accomplished.

Mr. CHURCH. Well, I should say that it was proposed to R. F. C. in the latter part of July. I can't give you the exact date.

Mr. FULTON. Was it accomplished before October or November?

Mr. CHURCH. Yes.

Mr. FULTON. When was it accomplished?

Mr. CHURCH. It was accomplished for production from October 15. That was the first production, from October 15 onward, on which prices above 12 cents had been arranged.

Mr. FULTON. So that was 3 months less 2 days to get that through.

Mr. CHURCH. Three months from what?

Mr. FULTON. July 17 to October 15 would be 3 months less 2 days; would it not?

Mr. CHURCH. Yes.

Mr. FULTON. Now, with respect to this proposal of changing from a—

Mr. CHURCH (interposing). By the way, Mr. Fulton, I should like to correct myself there. I am trying to remember. It was from October 15 forward that those sales at higher prices were made through one channel. There had been a previous production, which I had forgotten in answering your question, sold through another channel at prices higher than 12 cents, and I will have to look it up to see. I have it in my records, and I will look up and see when that was done. I believe it was done shortly after the July 17 meeting.

Mr. FULTON. Is that even today generally applicable to any producer who can show submarginal conditions, or is it a matter of specific negotiation in each instance?

Mr. CHURCH. It is a matter of specific negotiation in each instance.

Mr. FULTON. Have you explored the possibility of providing that for mine which can increase production—the increase only will be purchased at a higher price by the Metals Reserve—so that any mine, without having to make a special trip down to Washington and spend from 2 to 3 months getting it, can know that he can attain such a price increase?

Mr. CHURCH. I haven't explored the matter, Mr. Fulton, but it does not lie within my province, nor, for that matter, within the province of anyone in the branch; that is, it is a proposal that has been examined with a good deal of care by us. It has so far not been adopted by the people who hold the money bags.

The CHAIRMAN. Well, Mr. Church, your statement there sounds very familiar to this committee, that you have not the authority nor has anyone else in your branch the authority to do what ought to be done. Don't you think, though, as your own personal opinion (I want your personal opinion as an engineer and not as an employee) that this is a practical suggestion and would in all probability increase the production of both lead, zinc, and copper?

Mr. CHURCH. I believe that with the proper safeguards, it is a practicable suggestion and would increase production.

Mr. FULTON. With respect to those cases where you have had these detailed matters under consideration, are you familiar with the work sheet which the O. P. M. furnished to the committee as being part of the work sheets of the O. P. M. on that?

Well, that problem which you had with respect to not holding what you termed the "moneybags" so that you couldn't put in effect this other policy would also apply, so far as your branch is concerned, with respect to labor, would it not?

Mr. CHURCH. That is true.

Mr. FULTON. You had a situation, I believe in Butte, where you estimated that some 24,000 tons of copper annually could be obtained as an increase if you could switch from a 5- to a 6-day week.

Mr. CHURCH. That is true.

Mr. FULTON. And I noted on this work sheet that this, I believe, came to the attention of O. P. M. in June. Isn't that the date?

Mr. CHURCH. That is right.

Mr. FULTON. Now, we were informed yesterday that that was accomplished, that is on the 10th or 11th day of December, the change was finally accomplished for a period of some 5 months, 5 to 6 months.

Mr. CHURCH. I am informed that the situation has been considerably eased much earlier than that by an increasing supply of skilled mining labor at Butte. The men coming back to the camp for the winter, which has had the effect of supplying—

Mr. FULTON (interposing). A part of the difference.

Mr. CHURCH. A part of the difference; yes, sir.

Mr. FULTON. It was particularly interesting to the committee because we have received a number of inquiries from small manufacturers who were being deprived of small quantities, to whom 24,000 tons looked rather large. One of them in particular wanted 14 tons

in order to keep 100 men employed for a year, and I suppose you found similar situations in examining your work there in connection with the demand for copper.

Mr. CHURCH. I am receiving appeals of that sort daily and weekly. There are appeals coming in to us all the time.

Mr. FULTON. Well, the question that arose to Senator Truman was why it took 4 or 5 months to make that kind of adjustment instead of a few days or weeks, and if there was a fundamental problem, why wasn't it brought out by the O. P. M. publicly and specifically or even something which the O. P. M. would furnish to this committee so that the committee could assist in ending the problem?

Mr. CHURCH. Mr. Fulton, I can give you only my personal contact with that situation and my own personal views. The difficulty arose primarily from an action by the union in a matter which is entirely within its jurisdiction, putting a fine on the man who worked more than 40 hours a week. Now, I am not by any means offering any criticism of anybody. I am simply saying that that was a physical fact—

Mr. FULTON (interposing). That was an action in which the union was either justified or unjustified in taking.

Mr. CHURCH. And that is one in which I cannot offer an opinion one way or the other.

Mr. FULTON. And all you could do was refer it to the Labor Division of O. P. M.

Mr. CHURCH. That is it exactly.

Mr. FULTON. Which was the maximum, of course, of your authority.

Mr. CHURCH. That is true.

Mr. FULTON. And yet the problem took months before it was finally resolved.

Mr. CHURCH. Yes; it did.

Mr. FULTON. And the labor people, in testifying yesterday, said that in Butte more than half the men had worked less than half the month, so that there may have been two sides to it.

Mr. CHURCH. As I say, I know nothing about the facts out there.

Mr. FULTON. But it was a problem that should have been brought out in the open and ended one way or the other in favor of whoever had the right position instead of being allowed to lie still and dormant for 4 or 5 months.

Mr. CHURCH. In the first place, it did not lie still and dormant. If you will permit me to offer something in correction, it was under constant negotiation out there by Washington representatives of the Labor Department. I do not see exactly how O. P. M. could have expedited negotiations between third parties, which is exactly what the situation would have called for had we been able to do anything.

Mr. FULTON. But do you think it wouldn't have been possible to find the legitimate positions so far as they were legitimate and the illegitimate positions so far as they were illegitimate of both the mine operator and the mine labor there to bring it out in the open and try to force them, through public opinion or otherwise, to do whatever was right so that we could get the copper that we needed?

Mr. CHURCH. My impression is that publicizing of that situation might conceivably have slowed up the solution rather than expediting one.

Mr. FULTON. Well, that of course is a perfectly proper opinion, but the fact is that after this committee began questioning that, the problem was settled, possibly due to the war instead—but at least it didn't stop it from being settled, and it wasn't settled when we first heard of it 2 weeks ago.

Mr. CHURCH. It has been gradually ameliorating, because there were two factors there. There were enough skilled men in Butte, as the facts were presented to us, to permit a swing shift system so that the mines were operating regularly 7 days a week.

Mr. FULTON. Then you mean there is no necessity—

Mr. CHURCH (interposing). But they were not able to man all the working faces with the supply they had. As the supply of skilled mining labor increased by the men drifting back into the camp, they were able to expand their operations and take in more working faces and bring out more ore.

Mr. FULTON. That is the point you already saved, part of the 24,000, but the other part was being lost.

Mr. CHURCH. The actual formal settlement of the matter came only recently.

Mr. FULTON. In fact, day before yesterday.

Mr. CHURCH. Yes.

Mr. FULTON. Now, with respect to numerous of those other problems there, would you look particularly at those instances where the O. P. M. was asked to assist in obtaining Government financing, and will you point out the very first date that you can find (I believe it is August 30, on the second page) where the O. P. M. made either a formal or an informal authorization?

Mr. CHURCH. Quincy is the one at the top of the page.

Mr. FULTON. Was there any date earlier than August 30 with respect to any request for Government assistance?

Mr. CHURCH. No. Well, that was brought to our attention on August 29.

Mr. FULTON. Well, that is the first one, isn't it, in that?

Mr. CHURCH. That is, I believe, the first one, the first date shown here.

Mr. FULTON. The other dates are all September and October or later.

Mr. CHURCH. That is right.

Mr. FULTON. When the O. P. M. for the first time even informally approved Government financing.

Mr. CHURCH. You will note that most of these, Mr. Fulton, or many of them, are productions which were either under way—the big productions were all under way months ago.

Mr. FULTON. Those were the private companies, privately financed.

Mr. CHURCH. That is right.

Mr. FULTON. Now, with respect to those where you did make these recommendations on August 30 and in September and October, which of those have resulted in any contract to date with the Defense Plant Corporation?

Mr. CHURCH. I will have to run over the list because it is a considerable one.

Mr. FULTON. And tell us when it finally got to the point of a contract actually being signed.

Mr. CHURCH. You do not include in that, of course, the production of the Phelps Dodge Corporation at Morenci, which was begun in 1937 as a development and is just now coming into production.

Mr. FULTON. Of course, that was before the war and was privately financed.

Mr. CHURCH. That is right.

Mr. FULTON. I was talking about any case whatever where the O. P. M. has recommended Government financing where the Government has actually got it today.

Mr. CHURCH. Well, the additional development at Morenci does not come under your question because there is a physical question of water supply there which has not yet been worked out.

Mr. FULTON. As far as I know, there are only two that do, aren't there? At least, those are the only two we have received information on to date from the Defense Plant.

Mr. CHURCH. What are they?

Mr. FULTON. The Castle Dome and the American Zinc Co.

Mr. CHURCH. The Castle Dome was brought in in September.

Mr. FULTON. What time in September?

Mr. CHURCH. September 11 is the date shown on this tabulation.

Mr. FULTON. Now, the Defense Plant said that was recommended to it on October 31 and the contract was finally signed on November 18. Does that conform with your recollection?

Mr. CHURCH. I am going here by this working sheet. These things have to be investigated, Mr. Fulton, because after all, we are taking what responsibility we do take in recommending the expenditure of public funds.

Mr. FULTON. We realize that.

Mr. CHURCH. You realize that.

Mr. FULTON. You had been studying this from May or April and talking to these people about what could or couldn't be done, and on July 17 you held a conference. Now, why does it take from July to September to have a thing proposed to O. P. M., from September to October before O. P. M. can send it to the Defense Plant, and from October to November before the Defense Plant can sign a contract?

Mr. CHURCH. Well, my answer to that is that in July for the first time we found that we could get past the 12-cent ceiling. In the case of Castle Dome that doesn't seem to have been necessary, but in many of the other cases here it is.

Mr. FULTON. Take Castle Dome. They were asked on the 9th of July to make a proposal to you on the 17th of July. Why does it take until nearly the middle of September for the O. P. M. to have a concrete proposal and another month to consider it?

Mr. CHURCH. Because I think if I were the chief engineer of any one of these companies, I would want at least that time to investigate the proposition and to prepare plans.

Mr. FULTON. And you feel that we must have this lag from July to November in cases of that kind?

Mr. CHURCH. From July to September, from July 17 to September 11, is 2 months. Usually where there is to be a detailed work in an elaborate construction, the expenditure in this instance being over \$8,000,000, plans for such a thing even in a very general form would require at least two months to work out. In other words,

these propositions, Mr. Fulton, do not spring full panoplied from the head of Jove—they have to be worked out by human beings and it takes time to do so.

Mr. FULTON. We have gone through a number of propositions. Why does it take another month until you can make a recommendation to the Defense Plant?

Mr. CHURCH. It took exactly 3 weeks when we made our informal approval. These formal recommendations, Mr. Fulton, frequently confirm conversations held sometime before with R. F. C. in which the matter, in personal conversation, is brought to their attention, the parties brought together, and negotiations begun. If the R. F. C. feels that they themselves are going to see a reasonable prospect of something being done, they then ask us for our formal recommendations, but the date of the formal recommendation does not represent the first date in which a matter is taken over to R. F. C. We are working with those people every week, almost every day. The formality of recommendation is simply for the record. The work is going on all the time.

Mr. FULTON. That means in this case 2 months and 3 weeks instead of 3 months that, then, is with the R. F. C.

Mr. CHURCH. Two months on the part of the company, which I do not consider at all excessive, knowing engineering work, being a mining engineer myself, and it represents 3 weeks on the part of O. P. M., which I do not consider excessive in view of our responsibilities for recommendations of the use of public funds. The fact that it took another 11 days for a formal letter of approval to go over is to my mind beside the point. That is simply for the record.

Mr. FULTON. And then it took another 36 days to get the contract signed.

Mr. CHURCH. Well, that is a matter that at this point is completely outside O. P. M.'s province, as you realize.

Mr. FULTON. Now, if you recognize the shortage existing back in May or earlier—I think you even mentioned a day as early as March—did you have informal discussions back at that time? Take Castle Dome, when did you first talk with them?

Mr. CHURCH. Castle Dome came in, as I said, on September 11. That copper, that production, will not be ready until June 1943. There was nothing in a proposition of that sort or in any of these other large propositions which meant immediate copper.

I would like, if the committee will indulge me, to point this out, that during the latter months of 1940 and during the months of 1941 up to the time that the arrangements had been completed in a sister organization for prices to be paid for copper higher than the ceiling of 12 cents—

Senator BREWSTER (interposing). You refer to Mr. Henderson, I assume?

Mr. CHURCH. I do. The country was producing at the mines as much, in my judgment, as could be produced at the price. In other words, for immediate copper, there was very little that could be done, and, as far as I know, nothing that had not already been done to maintain the mine production at its top.

It should be brought out very clearly at this point that there is a gap of at least 3 months from the time that ore is broken down in the stope down in the mine to the time that it appears as a refined product.

That time of 3 months can be roughly broken down in this way. Ore is raised to the mouth of the shaft. It is frequently put into a bedding system in order to assure uniform charge to the furnaces. It may have to be milled first. It is smelted. Most of it is produced in the Rocky Mountain region; most of the market is in the east. It must be moved eastward, which is a period of approximately 3 weeks, and then for 2 months, on an average, it goes through the refining process.

Now, it should be realized that in that movement there is a quarter of a year's copper in motion all the time between the mine and the exit from the refinery. That is a large tonnage. In years when the—

Senator BREWSTER (interposing). Right at that point, to what extent is it practicable to shorten that period?

Mr. CHURCH. I fear not at all, Senator.

Senator BREWSTER. By any transportation or other arrangements?

Mr. CHURCH. No; the copper moves forward in a steady stream. I don't think that the 3 weeks on the railroad cars from the western mining camps to the eastern refineries can be improved substantially, and let us only hope that in the growing movement of materials during this emergency, it will not be worse.

Then in years when the market is slack, this movement of copper in process, so to speak, between the mine and the end of the refining operation tends to pile up copper. Frequently it tends to pile up copper in raw form at the refineries, ready to be refined. That was the case when the country entered the year 1940. During 1940 that stock was materially reduced. In 1941 it has now become reduced to the point where—I can best explain by a simile—we have stopped living on our fat and must live on what we are currently being able to produce in the way of copper from the mines. We have used up our inventory of raw copper at the refineries. The effect has been to make an apparent decline in the production of copper, that is, of refined copper, because we have been putting our inventories into process and bringing out the refined production in the early months of this year far in excess of our current supply from the mines. Today we are very near exhaustion of stocks, and we are down to our basic mine production of this country in regard to domestic copper.

So that although we are pushing the production of the mines of the country to their top and have been all this year, the actual figures of refined production has shown a decline simply because, in the early months of the year, we were able to smelt the copper of other years, to refine the copper of other years, and add it to our refining production.

Mr. FULTON. And if it weren't for that, our comparative figures of 1940 would still be worse than that.

Mr. CHURCH. That is right.

Mr. FULTON. And it is today a net increase of $11\frac{1}{2}$ percent.

Mr. CHURCH. Yes.

Senator BREWSTER. Does that mean even taking into account this use of our stock piles, that we have only increased refining by $11\frac{1}{2}$ percent?

Mr. CHURCH. The stock pile, Senator, was copper imported and does not affect those figures that I have given you of domestic production. That increase, Mr. Fulton, is a small one simply because both in 1940 and 1941 the companies were producing at about the maximum that could be produced at the 12-cent ceiling.

Mr. FULTON. Except that I noted that the Kennecott Co. alone had an increased production of 55,458 tons, which was more than three and a half times greater than our total increase of only 15,000 tons, so that without that increase by that one company, we would be much worse off as compared with 1940 than we are today.

Mr. CHURCH. Could I see those figures you are quoting from, Mr. Fulton?

Mr. FULTON. I took those from Mr. Ayer's paper, furnished to us by Mr. Ayer, and the Kennecott figure comes from the Kennecott Co.

Mr. CHURCH. Well, there is a good deal of background for that difference. I am familiar with this tabulation of Mr. Ayer's.

Mr. FULTON. The figure which I read, 54,519, is the increase which the Kennecott Co. informed the committee that it had made. That roughly corresponds with your knowledge, does it?

Mr. CHURCH. It roughly does; yes. That was done by pressing their operations to the utmost.

Mr. FULTON. But if the other companies had made similar increases, whether that was possible or not—

Mr. CHURCH (interposing). They have all been pressing their increases, but several things have entered there to prevent a greater production. We are, as I say, producing our maximum.

Now, it is purely the physical practical experience of life that you cannot continue a maximum production indefinitely.

Mr. FULTON. Without immediately making increases of various kinds to take the place of what you used up.

Mr. CHURCH. That is right. That is important.

Mr. FULTON. And it is those increases that the committee is interested in.

Mr. CHURCH. That is in part the case, but there is another factor. Mining is not a purely manufacturing operation. In the ordinary course of peacetime, with a fairly assured supply of raw material, manufacture goes on year after year at the same plant with only those changes made necessary by fluctuations of public demand, the demand of consumption. In a mine you are dealing with physical factors which at any time may trip you up and stop your production or curtail your production for quite a while. As an instance, one of the mines of this country which is producing a very considerable part of our total production ran into an underground pocket of water. The water rose very rapidly, drowned out levels producing 750 tons a month, and was within 10 feet of the biggest production level of the lot. The copper and zinc branch dove head first into the situation and got a double A rating for a quarter million dollars' worth of pumping equipment and they got the water out. Meanwhile, we had lost the production of the drowned-out levels for 6 weeks or 2 months. Those accidents must be expected all the time. Mining is an art; it is not a science.

Mr. FULTON. Those things, of course, took place in prior years as well as this year.

Mr. CHURCH. This particular one did not.

Mr. FULTON. Yes. But I mean others which didn't occur this year did occur last year and the years before that.

Mr. CHURCH. Yes; but you must remember that in prior years they were not producing to the limit. If that level had been drowned out in prior years, they could have gone some place else and got going.

Mr. FULTON. But, Mr. Church, presumably they had those problems before and those problems resulted in just stopping production, whereas now they go ahead and do their utmost to get production, and we should have an increase.

Mr. CHURCH. I would like to see this broken down into companies, because, frankly, I have been watching that situation very closely, and I do not know of any slackness.

Mr. FULTON. Well, the committee, of course, got those figures from you and would have preferred to have had them by companies.

Mr. CHURCH. I understand that completely.

Mr. FULTON. Which I understand you didn't have.

Mr. CHURCH. But I am familiar and have been familiar for 30 years with the fact that the over-all production of the country varies much less than the production of the individual mine.

Senator BREWSTER. Now, Mr. Church, is it a fact that companies would have been penalized by the tax provisions for increasing their production?

Mr. CHURCH. My information is that increases in production in a number of the companies would have meant substantial increases in income and might have lifted them into a separate bracket on excess-profits tax.

Senator BREWSTER. That was testified to I think rather clearly yesterday, and that, naturally, is not, let us say, a stimulus to production.

Mr. CHURCH. True. I am very glad to hear you put it that way, Senator, because these people with whom I have been in contact now for over a year are earnestly desirous of bringing out every pound of copper they can, but as you put it, it is not a stimulus.

Senator BREWSTER. Yes. Would it not be fair for Government officials, at any rate, to present that situation to us frankly if in any way it was affecting production?

Mr. CHURCH. I think it is the only thing for Government officials to do. My own information so far is that it has not made any material difference in production, but where it is threatening to do so, I think the thing should be presented, as you say.

Mr. FULTON. Well, we have only had replies from eight companies that we sent our requests to, comparing the 4 months' period in 1940 with the 4 months' period in 1941. Of those eight, five reported that their production was less.

Mr. CHURCH. Can you show me the statements, Mr. Fulton?

Mr. FULTON. I have only a summary of them, but the companies reporting less are Howe, Shattuck Denn Mining, Copper Range Co., Consolidated Copper Mines, and Isle Royale Copper; and then in the case of lead and zinc—particularly lead—there is company after company.

Mr. CHURCH. As you know, of course, lead is outside my ken. I am interested in that list of productions that you speak of. What was the period of 4 months that you referred to, Mr. Fulton?

Mr. FULTON. July to November in '40 and July to November in '41.

Mr. CHURCH. I am very much interested because you mentioned Shattuck Denn, when it was one of the mines affected by that flood in Arizona.

Mr. FULTON. Which would be an explanation for that.

Mr. CHURCH. I think it would. With respect to Howe Sound I don't know. The production is a small one.

Mr. FULTON. It is just significant that there are so many of these, the majority of them, in fact, who did report.

Mr. CHURCH. The little chaps, I think—the small productions—almost inevitably have felt the changing conditions perhaps more than the big ones. That is just as inevitable as it is that a wave should be felt more in a rowboat than in an Atlantic liner.

Mr. FULTON. But there is only one way to get around the fact that production, even without a slow-down, will diminish, and that is that the company actively get out and try to increase it, to make new increases, that is, open up new shafts and exploit new territory. Isn't that true?

Mr. CHURCH. The answer to that first, Mr. Fulton, is that every pound of copper that we can get is important. More than that, every pound of copper that we can get in the latter part of 1941 and the early part of 1942 is worth 4 pounds obtainable in 1944.

Mr. FULTON. With respect to copper, is there any copper other than that we talked about a few minutes ago as to which there has actually been a contract signed for Government assistance?

Mr. CHURCH. Of course; yes. The three Michigan mines—Quincy Mining Co., the Copper Range Co., the Isle Royale Copper Co.—have all arranged for an increase in the price paid to them.

Mr. FULTON. That is for the price paid?

Mr. CHURCH. That is for the price paid, and of course that, again, was to protect existing production.

Mr. FULTON. And not to increase.

Mr. CHURCH. Not to increase more production. I should say in that connection, however, that Morenci also appears on this list with a proposition for the working of unused ground. That would be an increase.

Mr. FULTON. But that has not been accomplished in the sense of a contract.

Mr. CHURCH. That has not been accomplished. As a matter of fact, the proposal was made immediately after—I think the next day or 2 days after—the meeting of July 17. It was made to me by a vice president of the company, and I took him right over to R. F. C. and started the ball rolling right that afternoon as soon as I heard about it. The review of the proposal has apparently developed some possible snags. That is all I can say. The matter was referred right back for a concrete engineering and financial picture, and no reply has been received. I suspect that the thing was found to be more submarginal than it had originally appeared.

Mr. FULTON. Has there been any discussion with anyone needing Government assistance of, say, two or three hundred thousand dollars, or some small amount, whereby he has even started his negotiations over at the Defense Plant?

Mr. CHURCH. As rapidly as we can get to them, every producer who has any possibilities of bringing in marginal or submarginal material has been invited to come in.

Mr. FULTON. Have you actually got to one of them in the sense that the O. P. M. has sent a recommendation over to the Defense Plant

for a person, asking for a small sum like two or three hundred thousand dollars?

Mr. CHURCH. Well, I see none on this record.

Mr. FULTON. Do you know of any?

Mr. CHURCH. I don't know of any.

The CHAIRMAN. That is all, Mr. Church.

Mr. Kellogg! Mr. Kellogg, I believe you have been sworn.

Mr. KELLOGG. No, sir.

The CHAIRMAN. Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God, in the testimony you are about to give before this committee?

Mr. KELLOGG. I do.

TESTIMONY OF CHARLES W. KELLOGG, PRESIDENT, EDISON ELECTRIC INSTITUTE, NEW YORK CITY

The CHAIRMAN. Please give your name and connections to the reporter, Mr. Kellogg.

Mr. KELLOGG. My name is Charles W. Kellogg. I live in New York City. I am president of the Edison Electric Institute, which is the trade association of the electric light and power industry of the United States.

The CHAIRMAN. You asked to be heard by this committee, and we are giving you that opportunity, Mr. Kellogg, at your own request.

Mr. KELLOGG. That is correct, Senator. The reason I asked for the opportunity was that I understood from the newspaper that you were investigating copper at this time.

The CHAIRMAN. That is right. We are not investigating copper. We are investigating the alleged shortage in copper.

Mr. KELLOGG. Well, what I have to testify I think would be of interest to your committee, sir.

The CHAIRMAN. Thank you.

IMPORTANCE OF COPPER IN CONNECTION WITH ELECTRIC POWER

Mr. KELLOGG. My reason for asking to appear was not to explain the necessity for electric power in connection with the defense activity, but the particular importance of copper thereto. The electric industry has to have copper on account of its peculiar ability to conduct electricity. There is literally no other metal at anywhere near the price and the bulk which can be used for the purpose of conducting electricity as it is now manufactured. For example, the only metal which has a higher conductivity for a given-size wire than copper is silver, which is obviously too expensive. Aluminum, for the same size wire, has 60 percent more resistance than copper, but per pound weight, on account of being so light, it is twice as good as copper. That is why it can be used during ordinary times for transmission line purposes to very good advantage.

The CHAIRMAN. You use a bigger wire and it doesn't weigh any more than a copper wire does, and you don't get any more resistance when you use a larger wire.

Mr. KELLOGG. You get one-half the resistance per pound of metal as between aluminum and copper, and if the price of aluminum were twice that of copper, you would have more or less an offset on cost.

Mr. FULTON. You also would make a saving on steel transmission towers.

Mr. KELLOGG. On account of a saving in weight, right. Aluminum cannot be used, however, for most of the manufacturing and transmission devices because of its bulk. It would be too large and there would be change in designs entirely.

Iron, for example, which is about the only other metal which could be used, has five times the resistance of copper.

Now, Mr. Chairman, I have prepared a statement with some care for this, which I think I could run through fairly quickly and which I am sure will save time.

The CHAIRMAN. I will appreciate it very much if you will save as much time as you can, because the Senate is in session at the present moment and it is considering a \$10,000,000,000 defense appropriation. I happen to be a member of the Appropriations Committee, and I am giving you this courtesy because when I adjourn the committee today, I don't want to meet again until Tuesday.

Mr. KELLOGG. I appreciate that very much. Why don't I get along as far as I can, and what I cannot get in can go in the record, if you will be so kind.

The CHAIRMAN. That will be all right.

Mr. KELLOGG (reading) :

In view of the reported limited availability of copper to meet the present aggregate military and civilian demand for that metal and because electric utilities, upon which devolve a very important industrial role in America's war effort, are important users of copper, the following information concerning copper use by the electric light and power industry has been assembled and is submitted in the hope that it will prove helpful in making possible the soundest allocation of copper to meet the more pressing needs of the Nation for this metal at the present time.

One official of the Office of Production Management has recently said, "The biggest copper mine available to us is conservation of our existing supply." As one measure to help promote such conservation, the Edison Electric Institute has recently collected data from the industry and made studies of copper use by electric-utility companies. The information presented herein is derived chiefly from the data thus collected. Copies of such basic data have previously been supplied to O. P. M.¹

At the present time the entire electric-light-and-power industry in the United States is serving approximately 31,500,000 customers, including about 1,300,000 added in 1941. Electric utility companies serve approximately 26,700,000 customers, or 85 percent of the total, including about 900,000 added in 1941. A large percentage of these additions were made to supply new housing in areas where shipbuilding plants, airplane and other munitions factories are located.

The important role the electric-light-and-power industry is playing in the defense program is indicated by the fact that industrial power sales in 1941 rose 32 percent above the already high 1940 level. This enormous new load falls heavily upon all systems, but especially upon the electric-utility companies serving the large industrial areas. They have been able to handle the job successfully because they had the facilities already operating and the trained organizations and personnel with which to do it.

The CHAIRMAN. Mr. Kellogg, didn't you make the statement one time that we had all the electric power we needed?

Mr. KELLOGG. Yes, sir; and I still believe that is true.

¹ This paragraph was not read, but the paper is included in the record in toto by direction of the chairman.

The CHAIRMAN. Yet we are carrying a 32-percent overload.

Mr. KELLOGG. No; that is not a 32-percent overload. You misunderstood me, Senator. I said that the load had increased 32 percent over last year. We were able to carry it without difficulty. I would be very glad, if you want me to digress, to say a word or two about the adequacies of power supply, but I think it will come out gradually as I go on in my statement.

The CHAIRMAN. Proceed.

Mr. KELLOGG. I will say parenthetically that I am more satisfied now than I was when I first made the statement that with the plans which are now under way, the provision for generating capacity should be adequate for the defense effort. The last 6 months, I think, have definitely confirmed that.

In 1941 such companies are adding about 2,100,000 kilowatts of capacity. In 1942 they have planned to add 2,300,000 kilowatts, and in 1943 they planned to add another 2,500,000 kilowatts to keep abreast of the expanding munitions program. The accomplishment of this program, of course, must depend upon priorities established by the Federal Government, especially upon the relative need for turbines for ships as compared with that for turbines for industrial use.

COPPER REQUIREMENTS OF ELECTRIC-LIGHT-AND-POWER INDUSTRY

Based on quite detailed reports from electric-utility companies, municipal plants and other governmental power systems representing two-thirds of the electric industry throughout the United States, it is estimated that the copper use in 1941 of all company, municipal, and Government power systems, but exclusive of rural cooperatives under the Rural Electrification Administration, will amount to 152,000 tons. That is the consumption this year. This estimate covers all copper uses, including wire and cable, copper bars, shapes, tubing, switches, copper in various alloys—the entire situation with respect to our industry.

This 152,000 tons compares with a total supply of copper available to this country, as estimated by O. P. M. on October 21, 1941, of approximately 1,650,000 tons for the year 1942 and estimated needs for defense and nondefense purposes for that year of 2,400,000 tons. The 152,000 tons is about 9 percent of the available supply. The use by the privately owned utility systems is slightly under 8 percent of such available supply.

The Edison Electric Institute does not have information on the copper use of rural cooperatives. These cooperatives, however, serve less than 3 percent of the total number of customers and sell less than one-half of 1 percent of the total electric energy sold by the industry, but their copper requirements have been proportionately very much larger than for the rest of the industry—

The CHAIRMAN (interposing). Isn't that brought about by the fact that their lines are very much extended?

Mr. KELLOGG. Right. I was about to explain that it was—

because they have been expanding much more rapidly and because it takes three to four times as much copper per customer on the average rural line as is required for the average of all customers.

Mr. FULTON. And you have also had to expand to cover defense projects. I mean part of your expansion has been necessary for defense, too.

Mr. KELLOGG. Yes, indeed.

Mr. FULTON. Which you wouldn't otherwise have had as a burden.

Mr. KELLOGG. Very true.

If they embark upon a program of building their own generating and transmission systems rather than continuing to take wholesale service from the existing systems, as well as building distribution lines in rural areas, which has been their basic function to date, their use of copper will be even greater. Under present Office of Production Management priority restrictions, extensions into

new rural territory by electric companies is practically stopped. Presumably similar limitations apply also to extensions by Rural Electrification Administration cooperatives into heretofore unserved territory. This would be in line with present practice in Canada where the Government has required both public and private electric systems, according to an official announcement, to "eliminate further rural extensions."

129,000 TONS ELECTRIC UTILITY CO. COPPER USED IN 1941

The electric utility companies, exclusive of Government-owned systems, according to data collected from these companies, and supplemented by calculations based on manufacturers' data, in the calendar year 1941 will have used 129,000 tons of copper for all purposes. This use of copper is divided according to purpose approximately as follows:

For construction projects—additional generating capacity, substations, transmission lines—directly and indirectly occasioned by national defense loads-----	Tons 34,000
For ordinary extensions of electric service to new customers-----	43,000
For maintenance and repair of existing systems-----	52,000
	129,000

Detailed figures supporting that are on an attached sheet appearing as an appendix to this paper.

The CHAIRMAN. It will appear as part of the record.

(The paper referred to was marked "Exhibit No. 335" and is included in the appendix on p. 4225.)

Mr. KELLOGG (reading):

STEPS ELECTRIC UTILITY COMPANIES TOOK TO ANTICIPATE THE PRESENT COPPER SITUATION

In 1939 and 1940, the electric utility companies, in response to Government requests, expanded their plans for installation of generating capacity above existing needs as a measure to promote the national defense. This undertaking alone amounted to 1,000,000 kilowatts of generating capacity in 1939 and 500,000 kilowatts in 1940.

In 1940—about the middle or fall of that year—these companies began surveying their facilities and the possible war-emergency requirements with a view to providing so far as feasible an ample supply of spare parts and materials and emergency stocks before either copper or manufacturing facilities became heavily tied up with defense emergency production, thus by advance planning relieving subsequent shortages to an important extent. They were advised and urged to take these steps by Federal agencies, including the War Department, the Federal Bureau of Investigation, and the Federal Power Commission, at conferences held in Washington and at points throughout the country, as well as during field inspection of utility operating properties by Government representatives.

A good supply of parts for the more critical equipment was thus procured and is therefore already on hand as a safeguard to electric service against sabotage, acts of war, or break-downs of equipment subject to heavy loading. In the case of bulk items like wire and cable, however, due partly to the necessity to forego the use of aluminum wire altogether and substitute copper therefor, and partly to the necessity of using available material for quick service to the new Army camps and defense plants, it was only feasible to increase a normal 4 months' supply of these materials to about 6 months' supply. Much of this added supply has already been used up since midsummer, leaving stocks which may yet prove too short in 1942 to meet further emergency expansion for defense projects; especially if the defense program is again doubled, as Mr. Donald M. Nelson, on December 3, 1941, indicated it would be.

As a conservation measure, electric utility companies have also intensified their usual practice of salvaging and reclaiming material, especially copper wire, so as to reduce the normal demand for fabricated items of all kinds. They are using this means to help meet the reduction in copper for maintenance, repair, and operation, as required by Office of Production Management's Order P-46.

Electric utility companies are further cooperating and will continue to cooperate with the Conservation Branch of Office of Production Management to move scrap copper promptly as it accumulates from the companies to designated depository agencies to help meet the 1942 demand. With replacements held to a minimum, however, less scrap will be available than would normally be the case.

COPPER PRIORITIES

Early in 1941 priorities became necessary to procure new turbines. On May 8, 1941, the Office of Production Management issued an order placing copper on the critical list and on May 29, 1941, it was placed under full priority control. By midsummer it was not possible to purchase copper except under defense priority ratings and at and since that time no such priorities have been available to electric utility companies except to serve defense loads.

Defense loads, as you know, cover only those for Army and Navy contracts, contracts pertaining to the shipbuilding program, those relating to the lend-lease program, certain contracts of the Coast Guard, Civil Aeronautics Authority, and similar vital loads given defense ratings by Office of Production Management.

PD-1 forms for requesting priorities on specific items of equipment were made available by Office of Production Management in March 1941, but it was not until the middle of September 1941 that Office of Production Management issued Order P-46 setting up a basis for priorities for essential maintenance, repair, and operating supplies for utility systems, and granting A-10 priority for such materials. This priority, which applies to copper supplies as to other materials, has since been available to all utility systems, including the private utility companies, municipal systems, and Rural Electrification Administration cooperatives.

Senator BREWSTER. Can you secure things under A-10?

Mr. KELLOGG. Yes, sir.

Senator BREWSTER. I mean there is no lack of supply for A-10? I heard some question about that.

Mr. KELLOGG. I will say this, Senator, there is a definite lag, which I will mention later, of from 4 to 6 months between the day that a pound of copper goes to a factory and the day that, as a completed finished article, it comes out for use as a meter or transformer or some other piece of equipment. I should not say yet that there has been any substantial difficulty with those general priorities under P-46.

Senator BREWSTER. That is what I mean.

Mr. KELLOGG:

However, in general, any materials purchased under this P-46 order with its A-10 rating will not be delivered before another 4 to 6 months. It is a factor, therefore, to be considered in estimating requirements and supply for 1942, but its effect in 1941 has been chiefly to limit use of materials already on hand and to freeze existing stocks and existing systems so far as construction of extensions is concerned. This is particularly applicable to the copper situation, since copper is a determining material both in utility maintenance and in utility construction work.

Order P-46 carries with it strict control not only over inventories, but also over receipts and withdrawals from stocks of supplies used by utility systems for the purposes of maintenance and repair and of minor extensions, which are arbitrarily defined as being those using less than \$500 of material on all overhead system jobs.

Inventories are required to be reduced to 1940 levels and an over-all limitation on both receipts and withdrawals is imposed which holds these in any one quarter down to 25 percent, on a dollar value basis, of such receipts and withdrawals during 1940. Thus, even if stocks are on hand, they can only be used on projects complying with such strict priority regulations. This limitation is equivalent to a reduction below the 1941 rate of use of supplies of about 30 percent, because not only was 1941 use below 1940, but an increased price level averaging some 15 percent, in view of the dollar-value basis of the limitation, makes a corresponding reduction in the actual feet or pounds of material or number of items that can be received or withdrawn from stores.

With loads and number of customers increasing and with increasing proportions of all equipment and facilities operating at higher capacities and for longer hours, such restrictions will be increasingly severe in 1942. They will inevitably mean that the task of maintaining safe operation and service in the year ahead will be one to try even the skilled and experienced operating and engineering personnel of the existing utility systems.

The problem is, however, somewhat less serious for the present than might otherwise have been the case were it not for the fact that such systems have entered this emergency period in a high state of operating efficiency, both as to equipment and as to personnel. Such conditions, coupled with stringent limitations on use of copper for system extensions, will tend to make fundamental utility needs for copper in 1942 correspondingly less than would otherwise be the case.

REQUIREMENTS FOR 1942

Copper requirements of electric utility companies for the construction of new projects in 1942 and subsequently will depend primarily on the expansion of munitions factories and of other facilities for the defense program. In any case, it will depend upon prior O. P. M. approval of each new construction project; even for short distance line extensions.

Ordinary extensions of service are sharply limited by existing O. P. M. orders. New distribution lines can only be built after prior approval and upon satisfactory showing of direct importance to the defense program. On this basis it is impossible to estimate precise requirements for such extensions in 1942, but it would seem that requirements for such uses are not likely to exceed 20 percent of similar use of copper in 1941. If this be so, requirements will be of the order of 8,600 tons in 1942. The utility companies are already cooperating on such basis and are advising their customers publicly of such policy and of its necessity under an "all out" defense program.

Under existing O. P. M. orders the use of copper for maintenance and repair purposes is expected, as already outlined heretofore, to be reduced in 1942 about 30 percent below the 1941 level. The aim is to achieve the full amount of such reduction if reasonably compatible with defense service requirements.

It is estimated, therefore, that as O. P. M. orders now stand, electric utility companies in 1942 will require about 36,400 tons of copper for maintenance, repair, and operating supplies of existing systems.

That compares with 52,000 this year.

Parenthetically, about 8,000 tons of copper would be needed to take care of similar requirements for the systems of municipal and other governmental agencies, exclusive of rural cooperatives, which are not included in this estimate.

Senator BREWSTER. What percent were those offering; very little, I presume.

Mr. KELLOGG. It depends entirely on what program they follow, Senator.

Senator BREWSTER. Has that been determined yet?

Mr. KELLOGG. No. I think that is being followed by the Appropriations Committee in the House, perhaps, at the present time. I will cover that a little bit further in what I am saying here in a general way and will refer to it at that time.

Because of lack of information concerning further expansion of munitions factories and other defense facilities, neither the electric utility companies nor the Edison Electric Institute is in a position to estimate actual copper requirements in 1942 to carry out construction projects and increases of system capacity under specific project priorities. The preliminary construction program of such utility companies for 1942, as it now stands, would require about 10 percent more copper for such construction projects than was used in 1941 for similar projects. If so, such requirements will be about 37,000 tons. On such a basis, with strict economy of use coupled with drastic limitations and priorities, copper use by the electric utility companies in 1942 might be held to as low as 82,000 tons.

That corresponds to 129,000 this year.

The CHAIRMAN. Forty-seven thousand tons less.

Mr. KELLOGG. That would be the minimum.

However, any extensive program of further emergency interconnections of present transmission systems and parts of systems might alter this estimate upward by a considerable amount, possibly by as much as 25,000 to 35,000 tons. If so, the aggregate 1942 copper requirements of the electric utility companies would be raised to about 107,000 to 117,000 tons, as compared with 129,000 tons in 1941. On this larger basis, 1942 requirements would amount to 7 percent of the total estimated available copper supply of 1,650,000 tons.

CONSERVATION OF COPPER IN 1942

Emphasis may again properly be directed to the previously quoted and very applicable remark of one O. P. M. official that, "The biggest copper mine available to us is conservation of our existing supply."

One of the most effective ways to apply this principle under 1942 emergency conditions is to make the greatest feasible use of those systems and facilities already in place and in operation. Wherever it is possible by able engineering and operating skill to make such facilities meet loads beyond those now carried by them, the need for additional copper use and other similarly critical materials is correspondingly reduced.

This applies to all industry, but it has particular significance with respect to the electric utility company systems and their needs for copper in 1942. The staffs of electric utility companies have made and are continuing to make the most careful engineering studies to get the most out of their facilities so as to meet developments in the country's war program as they are decided upon by Government officials. To this end they have consistently cooperated with and sought guidance from the various Government agencies concerned directly with their operations.

Good engineering and trained and coordinated operation applied to well-engineered utility systems permits the taking on of new loads with minimum requirements for additional generating capacity, transmission lines, and critical materials generally. It is obvious that the increment construction requirements to expand such existing systems are, in general, very much less than the material expenditures required to serve new or increased loads by any other means.

The staffs of the electric utility companies of the United States have built and are running the highly coordinated facilities which are today serving some seven-eighths of the Nation's total electrical requirements. These companies have always operated on a 24-hour day and a 7-day week.

The electric utility companies will help all they can in order that the critical situation as to copper in 1942 may be met successfully. If, as present figures and estimates indicate, 1942 military and other needs for copper will exceed foreseeable supplies by some 750,000 tons, the electric utility companies will do everything possible to avoid adding any capacity or building any transmission or distribution lines which can reasonably be avoided by making more intensive use of present facilities and of the minimum possible increment additions thereto.

Senator BREWSTER. Now, as I understand it, Mr. Kellogg, the O. P. M. or the industry have not recognized any increase in power requirements other than for defense purposes; that is, if there is an increase in domestic demand, O. P. M. will not recognize that as requiring an increase in facilities.

Mr. KELLOGG. That is correct; and the only amendment to that is the \$500 drop-line business for individual customers.

Senator BREWSTER. Yes; that is the next one.

Mr. KELLOGG. Outside of that, no additional facilities can be built.

Senator BREWSTER. To what extent has the curtailment of domestic use assisted or is practical to substitute for increase?

Mr. KELLOGG. It is not a very large thing. I can give you the approximate figures for an ordinary year. That would give you a measure of it.

Senator BREWSTER. What proportion is domestic and what is industrial, ordinarily?

Mr. KELLOGG. I can give you the exact figures. That is probably the best way to do it. The year 1940, I think, might be taken as reasonably typical. Out of total sales of 118,643,000,000 kilowatt-hours residential and domestic was 23,000,000,000. That would be the order of magnitude—about 17 percent, I should say.

Senator BREWSTER. About 4 to 1; a little more than 4 to 1.

Mr. KELLOGG. It is more like 5 to 1; less than a fifth of the total.

Senator BREWSTER. Well, that would be 4 to 1.

Mr. KELLOGG. Oh, yes; right.

Senator BREWSTER. Now, how has that worked out in the southeastern area where they have tried it? How much curtailment have they found feasible? Are you familiar with that?

Mr. KELLOGG. I haven't detailed figures. I will not try to testify about them.

Senator BREWSTER. If they should save five to seven billion in domestic use, would that make a material difference in the demand for new facilities?

Mr. KELLOGG. Country-wide?

Senator BREWSTER. Yes.

Mr. KELLOGG. Well, it would make just that much difference. Five to seven, you say?

Senator BREWSTER. Yes.

Mr. KELLOGG. That would be around 4 percent.

Senator BREWSTER. I understood it was 15 to 30 percent they hoped for on this domestic saving, which would be around four to five billion, possibly, if it were country-wide.

Mr. KELLOGG. It would be something, not very great, of course.

Senator BREWSTER. What is your opinion on the wisdom of such campaigns? Those, of course, are voluntary campaigns. I guess the O. P. M. has issued orders, but they possibly haven't authority.

Mr. KELLOGG. As I am going to say in one of my later paragraphs, it becomes the choice now, Senator, between electric-power service for the people and turbines for battleships and naval—

Senator BREWSTER (interposing). And the answer to that would seem to be pretty clear.

Mr. KELLOGG. That is the choice. May I read the last of my statement? I am practically to the end of this, and I will bring that very point out.

Senator BREWSTER. All right. Then I will make some comment.

Mr. KELLOGG. There are just 10 lines here.

Senator BREWSTER. I will say whatever you have can be printed, anyway, but I would like to get your answer on that.

Mr. KELLOGG. The answer is in this last paragraph, I think.

Those companies will pledge now that, to make every possible pound of copper available for shell cases, they will avoid all necessary duplication of copper-using equipment or extensions, even to the extent, if essential, of curtailing use of present electric supply facilities by nondefense customers, to any extent which appropriate Government officials decide to be necessary. And finally, they suggest that most earnest consideration be given to the basic operating need for fullest coordination, which can only come by leaving the tremendous job ahead to the skilled and experienced operating staffs of the presently existing systems.

Senator BREWSTER. Now, we have this same problem in connection with it. I am speaking now of the generating apparatus as

distinct from extension of facilities for domestic customers. That is going to be one of your major problems, isn't it?

Mr. KELLOGG. Yes.

Senator BREWSTER. The generation.

Mr. KELLOGG. May I answer both your questions and the Chairman's with respect to this power supply situation because this is a good place to bring that in.

Let me say, first, with regard to the effect of this defense effort industrially on the country, my own opinion definitely confirmed in the last 6 months from all the statistical figures that come in, is that electric power is used primarily working on materials and labor to make things, whatever they are, for war or for peace. The amount that can be made, as you are finding before your committee here and as O. P. M. knows, is rigidly limited by the physical amount of these raw materials, and it is also a fact that our labor supply by and large is pretty fully employed; practically everyone who can do anything is doing something. So that this tends to put a ceiling on the total amount of power that can be used, except to the extent that more material now is found, and it is a slow job, or more labor is found, and that is also a slow job, so that the effect of increased volume of defense production is necessary to make a corresponding decrease in amount of civilian or nondefense production. All of the other countries at war have found that. They are unable to get beyond a certain maximum production of all kinds, and the only way they can increase their war output is to take that much out of civilian activity.

I have been following some of these indexes pretty carefully to see how my theory checks with the facts. Here, for example, is the index run by the Department of Commerce of the United States on total new orders received by manufacturers for producers' goods—that is about as good a measure as you can get of what is actually coming into the factories of the country to be done, either for the Government or civilian use—and that index between June 1940, when the Defense Commission was first set up, and June this year—no, and January of this year, went from 157 to 240, a very substantial increase, a very steep, steady, substantial increase during those 8 months. Since that time, to wit, since January of this year and through October, which is the last month I have a record from the Department of Commerce, that index has been up a little bit, but it is today, in the month of October, actually 4 points less than it was last January. In other words, the grand total, limited by the fixed amount of materials and labor, the amount that defense gets, comes very largely out of the hide of civilian activity.

Senator BREWSTER. That is extremely interesting, Mr. Kellogg, but it applies to your distribution of industrial output. My question was addressed to the domestic, which I take it is a distinct problem, that is, the 23,000,000,000 against the 118,000,000,000; that is the point I wanted to pursue for a minute.

Mr. KELLOGG. In regard to domestic, in total industrial power it wouldn't amount to a great deal in percent. It would help, it would be something which the—

Senator BREWSTER (interposing). What is your opinion about the wisdom of these companies curtailing domestic use in order to increase the power available for industrial purposes?

Mr. KELLOGG. I don't see any sense in doing it until it is necessary. It could be done very suddenly.

Senator BREWSTER. I thought you had indicated very clearly that they were not going to be able to get the power that we need, that turbines were either going to battleships or to supply electric power needs domestically.

Mr. KELLOGG. I wasn't trying to decide what O. P. M. would do, Senator; I was saying that that would be the decision that would have to be made.

Senator BREWSTER. You did predicate it on the fact that in '42 we are going to face a shortage of power, aren't we?

Mr. KELLOGG. No, no. I said there would be a shortage of power in 1942—

Senator BREWSTER. Yes.

Mr. KELLOGG. If present orders for generating equipment which are in process of being made were all suddenly canceled and that machinery was not delivered.

The CHAIRMAN. Is there any likelihood of that?

Mr. KELLOGG. I don't know. I would like to know the answer to that question, too.

Senator BREWSTER. Well, I would like to get mine answered. If you can save five to six billion output for domestic purposes, isn't that going to be available for some other purposes?

Mr. KELLOGG. Yes; it will be.

Senator BREWSTER. Now, wouldn't that be worth while?

Mr. KELLOGG. If you needed it, it certainly should be something that the public should be asked to sacrifice.

The CHAIRMAN. It isn't a sacrifice entirely by the public because there is a difference of kilowatt price for industrial electricity and that for private use. Isn't that really what is at the base of it?

Mr. KELLOGG. No; I don't think it would be at the base of it from the Government's point of view.

The CHAIRMAN. From the utilities' point of view.

Mr. KELLOGG. From the utilities' point of view, they would earn less money.

Senator BREWSTER. Wouldn't that dissipate your dividends?

Mr. KELLOGG. Yes; but I wasn't thinking about dividends.

Senator BREWSTER. I didn't mean to intimate that you were.

Mr. KELLOGG. I was thinking about the availability of power.

Senator BREWSTER. We have to have this whole question before us, and I would say that you didn't indicate any great interest in discussing the matter. Would that be a fair statement?

Mr. KELLOGG. No; I don't think so. You misunderstood me entirely, Senator. I did mean this, that if the mere saving which could be made by curtailing domestic consumption were all the country had to lean on for additional power, it would be pretty small. That is all I mean.

Senator BREWSTER. That is why I have asked you the results of this experiment in the Southeast, and I get no information. That is what puzzled me. I thought that was a good experiment we were carrying out down there. Frankly, I don't want to see it up in our section because it would be quite a serious thing in a lot of ways. I am not anxious to see it. I am anxious to see justice done all around, but

the fact remains that while one-fifth of your power goes to domestic uses, two-fifths of your income comes from domestic. Isn't that approximately correct?

Mr. KELLOGG. I guess so; I don't know that exactly.

Senator BREWSTER. So that you, in other words, have just the same problem we found with the lead and copper fellows yesterday. In other words, if we move with purely patriotic purpose to solve this problem, there is what may be seen as an inequitable penalty on the company. I think the sooner that is laid right on the table and that you lay all the cards on the table and show them, the more quickly we will get the right answer.

The CHAIRMAN. You are as correct as you can be.

Senator BREWSTER. No reluctance to sacrifice should affect your judgment of this case.

Mr. KELLOGG. Well, frankly, Senator, I wasn't thinking about income at all. I thought you were addressing yourself to how much power could be, in the last analysis, obtained in this way if it were not obtainable in any other way.

Senator BREWSTER. That is why I asked you about that Southeast experiment, which I really would assume, Mr. Kellogg, that in your position you would have quite a lot of information about. I am sure that the utility men with whom I have discussed it have watched it very closely and have known a great deal about it and would be a little more specific. That is the only possible comment I would have on your statement.

Mr. KELLOGG. I would like to say this, Senator, that the biggest gain made in the Southeast was not from the curtailment of domestic use, but from the enormous amounts of power that were brought in from the outside, all the surrounding States, from steam-generated equipment. What happened down South was simply this. There has been a tremendous amount of power developed down there, as you know, as an incident to improving navigation and flood control and that sort of thing; that is to say, hydroelectric power. Of course, hydro-power, when rains don't come in sufficient volume, is just short, that is all.

Senator BREWSTER. We found that out in Maine.

Mr. KELLOGG. Yes; in Maine and all along the seacoast it has been very serious this year. I should say, I don't know the detailed figures because I haven't seen them, but my guess would be that the relief that came from bringing in steam-generated power from surrounding States was 10 to 1 what they got by curtailing domestic consumption in the area affected.

Senator BREWSTER. I frankly would like the facts, and if, as I assume, you have them available from your membership, I would like to know about it.

Mr. KELLOGG. I will see that you get them. I will be very glad to.

Senator BREWSTER. Frankly, I am simply seeking light.

Mr. KELLOGG. I will see that you get that.

May I go back to this matter of power supply just a moment, Mr. Chairman?

The CHAIRMAN. Surely. I hope you will be as brief as you can because it is 1 o'clock and the Senate is going to adjourn directly.

Mr. KELLOGG. Well, I will simply say this. We have made a recent check within the last week of the status of all of these various generating units which are going through the shops of the country at the present time, and we have found very slight variations at the time that check was made of the promised dates which existed 6 months ago.

The CHAIRMAN. Then you feel that you will get delivery on them?

Mr. KELLOGG. I hope that O. P. M. will not find it necessary to step in and change that situation. I think it would be a desperate situation to change.

The CHAIRMAN. You know since day before yesterday battleships are not quite as important as they were previous to that date.

Mr. KELLOGG. Right. Electricity will always be important.

The CHAIRMAN. If you have any other matter to place in the record we will be glad to have you do it.

Mr. KELLOGG. Thank you.

The CHAIRMAN. The committee will recess until 10:30 Tuesday.

(Whereupon, at 1:04 p. m., the committee recessed until 10:30 a. m., Tuesday, December 16, 1941.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

TUESDAY, DECEMBER 16, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:35 a. m. pursuant to adjournment on Friday, December 12, 1941, in room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman), James M. Mead, Clyde L. Herring, Ralph O. Brewster, Joseph H. Ball, Styles Bridges, Carl Hatch, and Tom Connally.

Also present: Senator Raymond E. Willis, of Indiana; Mr. Hugh A. Fulton, chief counsel; Mr. Charles P. Clark, associate chief counsel.

The CHAIRMAN. The committee will come to order.

Mr. Corcoran, you will be sworn.

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth in the testimony you are about to give before this committee, so help you God?

Mr. CORCORAN. I do.

The CHAIRMAN. Be seated, Mr. Corcoran, and give your full name and connections to the reporter, please.

TESTIMONY OF THOMAS G. CORCORAN, WASHINGTON, D. C.

Mr. CORCORAN. My name is Thomas Gardiner Corcoran. I have no connections.

The CHAIRMAN. I have a letter from you here, Mr. Corcoran, dated December 6, 1941, addressed to me. It says:

You will recall that at the beginning of November I requested that you afford me an opportunity to appear before the Senate National Defense Committee, of which you are chairman, to testify as to alleged activities of mine in procuring national defense contracts.

You indicated that such an opportunity would be afforded me by the end of the year.

I would appreciate it if you could set me a specific date before the Christmas holidays.

My reply was:

Appreciate your letter of the 6th very much, and I will be glad to have you appear before the committee on December 16, as I told you over the telephone.

This letter will be made a part of the record.

(The letter referred to was marked "Exhibit No. 336" and appears in full in the text.)

The CHAIRMAN. That conversation referred to in November was the result of the newspaper publicity and a lot of statements that had been made regarding the committee's intention to investigate national-defense lobbying, and you asked for that interview with me to discuss that situation, as I remember it. That is correct, isn't it?

Mr. CORCORAN. Yes; as I remember it, Mr. Chairman, I came down to you to ask you if this committee would have jurisdiction to go not only into national-defense contracts, but also into the Sterling case, and the powers of the committee didn't reach that far. You will remember I then told you that as soon as the Sterling reorganization was finished I wanted to come to you again. I think it was on the 6th that I came down to Mr. Fulton's office, after the Sterling business was finished in New York. I called you, with Mr. Fulton, out in Kansas City, told you I was going to send you this letter, and asked if I might have a favorable reply, and sent you the letter. That accords with your recollection?

The CHAIRMAN. That is exactly as I remember the proceeding.

You have a statement that you desire to make to this committee?

Mr. CORCORAN. May I, Mr. Chairman, make a prepared statement first, in order to get the details on the record?

The CHAIRMAN. That is all right.

Mr. CORCORAN. And then you may ask me any questions you want.

The CHAIRMAN. Proceed.

QUESTION OF ACTIVITIES OF THOMAS G. CORCORAN IN NATIONAL DEFENSE PROJECTS

Mr. CORCORAN. I am requesting this committee to hear me not for any mere purpose of vindicating my personal reputation. The time of you, Mr. Chairman, and of all the other members of the committee and of all the Senators who are willing to come here and hear me is far too important to be occupied with problems of an individual. An individual pilot who manages to get a dive bomber into a Japanese battleship is important, but an individual lawyer is not important.

I feel as strongly as anyone else does that defense-contract brokerage, increasing the cost of the Government and the burden of the taxpayer, is an outrageous evil. But I am here also to suggest to the committee that because of their effect on public cynicism and public morale, the dissemination of false rumors as to contract brokerage is in itself an equal evil and a real concern of your committee.

I think that is particularly true when an individual is attacked not for himself but as a symbol of many other people.

Now, that is the only reason which justifies my coming before you today.

There are five stories which have been whispered about me as a symbol in connection with defense activities. They concern (1) Savannah shipyards; (2) the Vimalert Liberty engine contract; (3) the magnesium plant at San José, Calif.; (4) the Havenstrite oil well in Alaska; and (5) China Defense Supplies.

Since I think the only answer to innuendoes is facts, I will give you the facts about these situations as I see them, including what fees I made in these cases. I have prepared this statement to make a detailed record of these facts. I shall try to summarize it orally as briefly as possible, and then be glad to answer your questions.

Before I go into these specific cases, just let me give you a word about the background of my private activities.

I resigned from the Government service on September 22, 1940, some 15 months ago, and gave up the R. F. C. position I had held for many years. I did that, frankly, because I thought the choice of the President as the Commander in Chief was desperately important. I had then been in the Government service for some 10 years, all told—during President Coolidge's administration in 1926 as the law clerk to Mr. Justice Holmes; with President Hoover's administration in 1932 as counsel to the Reconstruction Finance Corporation; and with President Roosevelt's administration from 1933 to 1940 in the same capacity.

I resigned to work without compensation as a director of the Independent Voters' Committee for Roosevelt and Wallace, the so-called Norris-LaGuardia Committee, and after election, until January 1, I spent most of my time clearing up the affairs of that Committee again without compensation. On January 1 I had to go to work.

Because the man I hoped would be my partner, Mr. Benjamin Cohen, was summoned to go to London as the counsel to the United States Ambassador, and because I was very sure from the very beginning that there was a grave risk that war might liquidate all private plans at any moment, I conducted my affairs in the simplest possible way.

To compensate for my caution about not building up a big administrative responsibility for myself, I made it a point in every really large situation to be associated with another lawyer or a firm of first-class ability and reputation, and I worked with that lawyer or firm in team as I had also worked in team when I was in the Government.

The chief business of business today is Government—or at least the minds of men who see things clearly enough to have them worth having as clients are all involved with the Government. I could not and, frankly, I would not have wanted to stay completely out of anything with any possible Government or defense relation; insofar as I could help outside of the Government, I wanted to help.

But I am sure I can say these things categorically:

(1) I have never received a fee and I have no arrangements for receiving fees in the future, on percentage or otherwise, for contract brokerage or for any other form of soliciting defense contracts.

(2) I have received no fee and I have no arrangements for receiving any fee that has in any way directly or indirectly increased the cost to the Government of preparing for this war.

And I may say parenthetically something else. I had a very definite philosophy when I was in the Government. I haven't struck that flag. I have never taken a case or a situation which in any way conflicted with or compromised what I stood for when I was in the Government service.

I don't know, and I don't believe anybody knows, what influence means. If with respect to me it means experience in knowing what the Government likes and does not like, I cannot understand why it should not be utilized to make the burden of the Government lighter. If it means confidence of Government officers in my ability to get performed what I undertake to get performed by corporate

officers and others outside the Government in return for commitments within the Government, and confidence that I will see through what I say I will see through, I cannot remember when I have betrayed that confidence.

I think the real test by which to judge the way I have acted is not by whom I know but by whether what I have done has helped or hurt the Government and the defense effort.

As to fees, as I have said, no fee that I have taken has added one penny to the cost of Government. On the other hand, I have tried to charge fees directly in proportion to what my client and myself have together agreed were the benefits to him from such imagination or energy or experience or technical skill as I may have which he asked I throw into any particular situation.

I think, Mr. Chairman, I have proved I can work many years for a cause, for little.

I think it is no secret in Washington that I have constantly been ready for many months to serve that cause again anywhere I could really function.

But I have never understood that, in this country, when working to help other men earn money, it was wrong for me to earn money, in proportion, too.

In discussing specific cases, I am not unaware of the privilege of my clients to expect a lawyer to keep their confidences, and I want to make it clear that I have been authorized by each of those involved to say what I am going to say in this statement.

I will take up the specific cases in the order in which they have been most luridly talked about.

CONNECTION OF THOMAS G. CORCORAN WITH SAVANNAH SHIPYARDS CORPORATION

Mr. CORCORAN. I think Savannah Shipyards is the case which you want to hear first because you have other witnesses this week on Savannah Shipyards.

The CHAIRMAN. That is correct.

Mr. CORCORAN. This is the case in which it has been stated that in concert with Mr. Charles West or otherwise I acted as an agent to procure a Maritime Commission contract for the Savannah Shipyards Corporation.

There was an article in the press the other day, just yesterday, which stated as a flat fact that I had procured a contract for Savannah Shipyards for the Maritime Commission.

The president of Savannah Shipyards Corporation is Mr. William Crowley, a member of the Board of Education of the City of New York. The treasurer of Savannah Shipyards is Mr. Frank Cohen. The interests that own Savannah Shipyards also own Empire Ordnance Corporation.

I have never had any business relationship of any kind with Charles West.

I have had a professional connection with the affairs of Savannah Shipyards Corporation under the following circumstances:

Sometime in February of last year, Mr. Frank Cohen, the treasurer of Savannah Shipyards, requested my opinion in a hurry on the validity of a proposed issue of revenue bonds of the Port Authority of the City of Savannah. It had been proposed in substance that

Savannah Shipyards should construct a shipyard for the Port Authority of Savannah to cost between two and a half to three million dollars, and as payment therefor, receive revenue bonds of the Port Authority. The facilities were then to be rented to the Savannah Shipyards Corporation.

Mr. Cohen stated that he was leaving for Savannah that afternoon to decide on the investment, that he wanted my opinion as to the validity of the bond issue.

I replied that I was not in a position to accept his business. There were very peculiar as well as ordinary reasons for that. I had just been retained by the Todd Shipyards Corporation in connection with the promotion of a magnesium plant. As other witnesses have testified before this committee, Senator, I have had absolutely nothing to do with the shipyard or ship contracts of Todd Shipyards Corporation, but since that client had shipping interests I was in a position where I could not, except with clearance from them, accept anything that had to do with any other shipyard business.

Cohen then asked me for a recommendation, and I replied that in my judgment the most competent counsel available to him within his time necessities was Mr. William Koplovitz, of St. Louis, of the firm of Dempsey & Koplovitz in Washington. Dempsey, of Dempsey & Koplovitz, is the son of the former Representative from New Mexico.

The CHAIRMAN. I am acquainted with him.

Mr. CORCORAN. Now, this recommendation was a purely professional judgment. The bonds in question were of the type known as revenue bonds, a new kind of bond in municipal finance. Some years before, Mr. Koplovitz had been the W. P. A.'s legal expert on municipal revenue bonds, and he had held a key position in the section of the P. W. A. organization which assisted State officials in drafting new laws concerning revenue bonds, in Georgia among other States. He was, therefore, particularly competent on problems arising under the legislation applicable to the Savannah Port Authority.

I remember pointing out as a matter of free advice to the client at the time, that if you buy a municipal bond which is declared invalid, you don't get 90 cents on the dollar, you don't get 80 or 50 cents on the dollar, you get wiped out; and I advised Mr. Cohen that he had better take some counsel who would have the courage to lean over backward to make sure that he didn't lose his \$2,500,000.

Mr. Cohen thereupon retained Mr. Koplovitz, and the latter accompanied him that afternoon to Savannah. A week later, Mr. Koplovitz informed me that after his investigation of the situation in Savannah, the company, on his recommendation, had decided to postpone the signing of the contract to accept the bonds of the Port Authority in payment for the shipyard, pending a conference of lawyers in Washington representing all interests involved, and he then asked me to study the question with him and to participate in the forthcoming conference.

During the conference which followed, at which the question of the validity of the proposed bond issue was discussed, Mr. Koplovitz called me in, because, frankly, he found that the other lawyers at that moment didn't agree with him. Six or seven other lawyers were present, together with Mr. Crowley, the president of the corporation, Mr. Cohen, the treasurer of the corporation, and Mr. Charles West.

Senator BALL. Was Mr. Butler there, from the Port Authority?

Mr. CORCORAN. I think he was. I don't know, Senator.

Senator BALL. Was Vickery, of the Maritime Commission, there?

Mr. CORCORAN. No; he wasn't there. This was a conference in the Dempsey office.

A few days later, in the end, Mr. Koplovitz's opinion was adopted as the opinion of the group. I concurred in that opinion. He was then retained by Savannah Shipyards to readjust in conformity with that opinion, some tentative commitments entered into in Savannah.

A few days later Mr. Koplovitz asked me to continue to work with him on the matter. We advised the Savannah shipyards that the questions as to the legality of the bonds were so serious that the corporation would be well advised to abandon this proposal. The corporation accepted the advice and abandoned the plan of constructing the yard for the Port Authority, and, instead, bought a site from the Port Authority and constructed its own yard with its own funds. This is one of the very few new shipyards I know of constructed with purely private funds.

Before I accepted Mr. Koplovitz's request that I come in to help him, vis-a-vis the others, in view of my conflicting relationship with the Todd Shipyards, I very carefully called up Mr. John Reilly, the president of Todd Shipyards, and from him received permission on this narrow matter of helping Dempsey & Koplovitz, to undertake that relationship with Koplovitz for that purpose only.

Now, for my work as associate counsel in this matter I was paid \$5,000 by the firm of Dempsey & Koplovitz.

I have had no other compensation, directly or indirectly, that derives from Empire Ordnance Corporation or Savannah Shipyards, Inc., or anyone connected with them.

I have since given Mr. Koplovitz and Savannah Shipyards, again with Mr. Reilly's permission, free advice on several occasions with relation to personnel proposed for the yard, the possibility of the general adoption of a new type of ship for volume building—that is, the "sea otter"—and the possibility of finding another shipbuilder as a partner in that enterprise.

So far as the Maritime Commission's relation to Savannah Shipyards is concerned, I have also understood that long before I met either Mr. Crowley or Mr. Cohen they had had conferences with representatives of the Maritime Commission. From their conversations I gathered that it was their understanding that the need for ships was so great that no adequate shipbuilding facilities would be left unused, and that if the Savannah Shipyards constructed an adequate shipyard and found suitable operators for it, with its own money and without asking for facilities and funds from the Commission, the corporation would receive a contract for the construction of ships.

At no time did I represent Savannah Shipyards Corporation before the Maritime Commission, and I was never retained either directly or indirectly, nor did I ever receive any fees, in connection with the ship-construction contract which the Commission awarded that corporation.

The CHAIRMAN. Some of the Senators want to ask a few questions.

Mr. CORCORAN. May I just finish on this Savannah matter?

The CHAIRMAN. Yes, finish that; and they will ask questions about that.

Mr. CORCORAN. Senator, I have another release which I didn't have time to get bound, in the hurry of getting this blueprint out this morning.

The CHAIRMAN. Do you want to read this to the committee?

Mr. CORCORAN. I will read it.

I have always understood that even at the height of so-called personal journalism, the first duty of a reporter—to get his facts straight and to get all of them—required him, if he were accusing an individual of public dereliction, at least to ask the accused individual for an explanation before it went to print. It has accordingly interested me, and in view of what I think the relation of this committee to false rumors is, I think it should interest you, that in all the months of this attack on me no reporter accusing me has bothered to ask me about his alleged “facts.”

Now, in the light of that attitude, I am going to ask you to have the investigators of this committee check this story as I have told it to you against the Savannah Shipyards story as it has been told in its most widely circulated form.

The story that I have been serving as a “defense broker” for the Empire Ordnance Co. and for its shipyard subsidiary is the latest and most detailed that has been circulated about me. I wish, therefore, that your committee shall use it as a particular test of the reliability and competence of the reporting of facts in the series of stories of which it is a part.

Now I am quoting from an article appearing in a Washington newspaper of December 3, which I just distributed to you:

(1) Mr. Corcoran is field marshal of (Mr. Cohen's) Washington brain and influence corps, drawing an annual salary, it is learned today, as an officer of the company.

(2) When Mr. Butler, Senator Ball, went before Maritime officials a month later he raised the question of Mr. Cohen's record. But he got nowhere. He sat looking into the faces of a group with powerful influence. He was aware of that. Among the 21 persons present, it is learned, were Howard Vickery, Maritime Commission member, Mr. Corcoran, Mr. Koplovitz, Mr. West, and other lawyers and officials. The arrangements were satisfactory to the Commission.

Now, here are two clean-cut allegations of fact concerning me, I think the only specific ones in the entire article, and I think pretty nearly the only specific ones in the entire series. Their truth or falsehood is readily susceptible of proof. Your determination as to their accuracy will serve a valuable public purpose, as well as a guide to the general degree of credibility you may ascribe to other stories about me from the same source.

In the first instance, it is asserted that I am an officer of a corporation which is known to have a shipbuilding contract with the Government, a corporation which in the same article of December 3, and in a preceding article of the same series on December 2, is designated as a “broker in defense contracts” paying “fees to persons in the ‘influence’ business like Thomas Corcoran and Charles West.”

In the second instance I am pictured dramatically as having been present in concert or at least in company with Mr. West, who has sued to collect a brokerage fee, at a meeting before officials of the Maritime Commission, together with others who constituted “a group with powerful influence,” for the purposes of helping to get a shipbuilding contract.

Now, both of those statements, Mr. Chairman, can very objectively be proved by your investigators either to be true or not true.

I say I am not, and I never have been, and I have no arrangement to be an officer of Empire Ordnance Co. or of its shipbuilding subsidiary, or of any other affiliate of the company, and I say that since I left the Government service I have never been in any office of the Maritime Commission, nor have I ever appeared at any meeting before Maritime Commission officials, as is specifically alleged in that article.

Now, the records of the Empire Ordnance Co., to which your investigators have access, are the answer to the first question. The records of the Maritime Commission are the answer to the second question, and I feel sure, Mr. Chairman, that this committee will not object to my disclosing that I have by letter specifically requested the committee to make this sample determination as to whether I am telling the truth or whether the statements in those articles tell the truth.

The CHAIRMAN. Pursuant to your request, the committee made some investigation and we have an affidavit here, signed by Benjamin S. Dowd, president of the Empire Ordnance Corporation, in which he says—

That your deponent's attention has been directed to the fact that various statements and claims have been incorporated in several newspaper articles wherein it is stated that one Thomas Corcoran draws an annual salary as an officer of Empire Ordnance Corporation; that your deponent specifically denies that the said Thomas Corcoran is either employed, or holds office in Empire Ordnance Corporation, or receives any salary from said corporation, and further categorically denies that the said Thomas Corcoran is employed or holds office in any corporation affiliated with said Empire Ordnance Corporation or receives any salary from any of said corporations, and that any statement that said Thomas Corcoran is so employed, or holds such office, or receives any salary, is untrue.

That is subscribed and sworn to before a notary, and will be made part of the record.

(The deposition referred to was marked "Exhibit No. 337" and is included in the appendix on p. 4225.)

The CHAIRMAN. Then we have a letter from the Maritime Commission addressed to Hugh Fulton as Chief Counsel for the Committee Investigating the National Defense Program, and signed by H. L. Vickery, Commissioner [reading "Exhibit No. 338"]:

DEAR MR. FULTON: To reply to your telephone inquiry of yesterday, I have seen the story which appeared in the Washington News on December 3, 1941, concerning an alleged meeting with representatives of Savannah Shipyards, Inc., at the Commission. I am enclosing a copy of the memorandum of a meeting that took place at my office on March 28, 1941, which I believe is the meeting referred to in the newspaper story. This memorandum was made immediately after the meeting ended and is taken from my files.

To my knowledge, the March 28 meeting was the only one ever held at the Commission which Mr. Butler attended accompanied by representatives of Savannah Shipyards. The memorandum speaks for itself. Mr. Schmeltzer, Mr. Slacks, and Mr. Scoll are officials of the Commission. Mr. French and Mr. Crowley are officers of Savannah Shipyards, Inc. Captain Court is a retired naval officer who was acting as technical adviser to Savannah Shipyards at the time, I believe.

For your further information, I handled the entire negotiations with Savannah Shipyards myself, and as you know, I have kept your committee informed of their progress. At no time did Mr. Corcoran ever participate in any meetings

with the Savannah people at the Commission, nor did I learn of his association with Mr. Frank Cohen until several months after Mr. Cohen's first appearance.

(The letter referred to was marked "Exhibit No. 338" and appears in full in the text.)

The CHAIRMAN. Now, the memorandum is three or four pages, and I won't read that, but it is available to all the members of the committee, and I will make it a part of the record at this point.

(The memorandum referred to was marked "Exhibit No. 339" and is included in the appendix on p. 4226.)

Mr. CORCORAN. Now, Mr. Chairman, you have, yourself, prima facie evidence, if the people, including the Maritime Commission, who sent you those memoranda are telling the truth, that these two specific allegations of fact are untrue. I don't mean to presume on the time of the committee or on the procedure of the committee. But I think the reporter who wrote those articles is in the room. Do you want to swear him to ask what authority he had to make those statements about my being an officer of the corporation or about my being present in the Maritime Commission meeting?

Senator BREWSTER. I think Corcoran had better finish first.

Senator CONNALLY. I think we had better proceed in the regular way.

The CHAIRMAN. All right.

Mr. CORCORAN. Do you want to ask me some questions about the Savannah Shipyards?

The CHAIRMAN. Have you any questions you want to ask about these specific transactions? Senator Connally?

Senator CONNALLY. I have just come in. I will ask some questions later, but I will wait.

The CHAIRMAN. Senator Mead?

Senator MEAD. Not at this time.

The CHAIRMAN. Senator Ball?

Senator BALL. Yes; I would like to. You first contacted Cohen in February?

Mr. CORCORAN. Yes, sir.

Senator BALL. And when did you finish your work?

Mr. CORCORAN. I think the business of getting him out of this commitment in Savannah was finished sometime late in March, and the contract with the Maritime Commission is dated, as I understand it, about November 20.

Senator BALL. November 20 of this year?

Mr. CORCORAN. Yes.

Senator BALL. Then, for that 1 month's work, approximately, your fee was \$5,000.

Mr. CORCORAN. That is right. I don't know what Mr. Dempsey's fee was and I don't know what Mr. Koplovitz's fee was. But for that \$5,000, so far as I was concerned, I kept a man from making a mistake that might have cost him two and a half to three million dollars.

Senator BALL. I notice you say here that later for Savannah Shipyards you gave them free advice with relation to personnel proposed for the yard and the possibility of the general adoption of a new type of ship.

Mr. CORCORAN. That is right.

Senator BALL. Wouldn't you have had to get the latter information from the Maritime Commission from some source?

Mr. CORCORAN. No; I got the latter information from other shipyard builders whom I knew, making it perfectly clear to them why I was asking. You know there was a great deal of talk around here in the last 3 or 4 months about a completely revolutionary new type of ship.

Senator BALL. The sea otter.

Mr. CORCORAN. Which was designed by Burgess of the *Enterprise*, the last Cup defender. There was a great deal of excitement in shipyard circles as to whether this particular ship would be used in place of the Liberty ship because it short-circuited the propulsion problem. Instead of requiring the building of steam engines and the rest of steam-propulsion machinery, this sea otter was going to use ordinary automobile engines that came off the assembly line.

Now, there was a point at which Cohen had to make up his mind which kind of shipyard he was going to build. If he built the sea otter, it would be built on a railroad track. If he built the ordinary Liberty type of ship, he would build it on a shipway. Cohen was at the point where he could build the shipyard one way or the other. He had almost decided to build the shipyard for the sea otter, and Koplovitz came to me and asked me whether I thought there was any chance that the sea otter was going to be adopted by the Maritime Commission in place of the Liberty ship. I talked to my shipyard friends and advised Koplovitz "No."

Senator BALL. I notice you say flatly here that you have never been in the office of the Maritime Commission.

Mr. CORCORAN. That is right.

Senator BALL. Since you left the Government service.

Mr. CORCORAN. That is right.

Senator BALL. How about telephone work?

Mr. CORCORAN. The telephone work with the Maritime Commission can be summed up in one conversation. It is connected with this business of personnel for the yard. There was a vacancy at the head of the Savannah shipyards. A friend of mine was proposed for that vacancy. He was in a shipyard in San Francisco. I knew that he had been an assistant to Captain Vickery. I thought that possibly Vickery had sent him out to the other yard. Since it was known he was a friend of mine and since Savannah Shipyards wanted to get him very badly, Koplovitz came to me to ask me if I would introduce Koplovitz and Mr. Cohen to my friend in San Francisco.

Before I would do that I very carefully called Commander Vickery and asked him if the Maritime Commission had any objection if I made an introduction which might shift that particular man from the yard in San Francisco, where the Maritime Commission may have wanted him to be, to the yard in Savannah.

Commander Vickery told me he had no objection and that he would himself call my friend in San Francisco to say that I had the permission to make the call for Commander Vickery. I made the call. My friend came on. He met these people. He decided he didn't want to take the job and he went back to San Francisco. That is the extent of my calls to the Maritime Commission.

Senator BALL. Have you held any conferences with members or officials of the Commission outside of their office?

Mr. CORCORAN. No. I have met Commander Vickery once at a dinner to which I was invited on the Washington Roof. The only conversation at that dinner concerning this particular shipyard was that he was concerned with a tanker contract for private builders that he wanted to see placed outside the yards that were doing the Maritime Commission business, and he advised me that Savannah Shipyards, still building, might well apply for that contract. You can check all this with Commander Vickery.

May we go on?

Senator BREWSTER. I wanted to ask you about the article with which you have furnished us a copy and on which you commented. It covered somewhat more details than you mentioned in connection with your, shall we say, somewhat "shadowy" practice.

Mr. CORCORAN. As long as you don't say "shady." I don't mind if you say "shadowy."

Senator BREWSTER. I tried to use the words very carefully. That suggests that your official connections were somewhat more intimate than your statement has implied. "Mr. Corcoran," I quote now the article, and then I would like to comment, "is field-marshal of (Mr. Cohen's) Washington brain and influence corps, drawing an annual salary, it is learned today, as an officer of the company."

I understand you to say that that is incorrect, to say the least.

Regulations of the War and Navy Departments, as well as of the Maritime Commission (which handled the *Savannah case*), forbid the payment of a fee to get contracts.

The drama of the *Savannah case* opened in a law office here last February—the office of the firm of Dempsey & Koplovitz. The partners are William J. Dempsey and William C. Koplovitz, formerly chief counsel and assistant counsel, respectively, of the Federal Communications Commission. Like other young Government lawyers, they moved into the more remunerative field of private practice.

Now, you developed at some length, Mr. Koplovitz' authority in the field of municipal finance.

Mr. CORCORAN. I think he was without any question the Federal Government's expert on revenue bond matters.

Senator BREWSTER. So that you wouldn't assume exclusive credit for keeping Mr. Cohen out of this difficulty in Savannah.

Mr. CORCORAN. No.

Senator BREWSTER. You made a rather extreme statement. You said you saved him two million and a half.

Mr. CORCORAN. I think I said that the opinions probably saved him. I wouldn't even say that I am sure they saved him, because you never can be sure of the law on a municipal revenue bond.

Senator BREWSTER. I am referring to what you said.

Mr. CORCORAN. Very well.

Senator BREWSTER. You said, when Senator Ball asked you about the \$5,000, that you saved them two million and a half. I think Mr. Koplovitz probably helped.

Mr. CORCORAN. I have no doubt that he did.

Senator BREWSTER. Now, in recommending Mr. Koplovitz, which I understand was your recommendation to Mr. Cohen—

Mr. CORCORAN. That is right.

Senator BREWSTER. As a law firm capable of handling this affair, did you by any chance mention Mr. Dempsey's connections and position also?

Mr. CORCORAN. Yes.

Senator BREWSTER. And what did you explain about Mr. Dempsey's possible assistance?

Mr. CORCORAN. Mr. Dempsey also was in the P. W. A. in the same organization.

Senator BREWSTER. He was also an authority on municipal finance?

Mr. CORCORAN. Yes; but not as exclusive an authority on the revenue-bond problem as Mr. Koplovitz was.

Senator BREWSTER. Did you mention, by any chance, his connection with the Maritime Commission?

Mr. CORCORAN. Oh, yes; I remember very carefully pointing out to Mr. Cohen that in these connections this firm could not accept anything that had to do with the Maritime Commission except on the most strictly legal basis because Mr. Dempsey's father was a member of the Maritime Commission. I think it was perfectly understood that particularly because any overstepping would be very apparent because of the relations of Commissioner Dempsey, nobody was to "lobby" before the Maritime Commission.

Senator BREWSTER. In other words, the closer you get to officials in Washington, either through family or personal connections, the better it is because the more careful they will be not to overstep.

Mr. CORCORAN. I think you will find that normally that happens, because everything, it is assumed, is going to be investigated.

Senator BREWSTER. Now, the article goes on and says that "When Mr. Corcoran began the private practice of law here several months back he did not open an office, but availed himself of the privilege of a desk and a place to park his coat in the Dempsey & Koplovitz office." What do you have to say to that?

Mr. CORCORAN. You mean whether it is true?

Senator BREWSTER. Yes.

Mr. CORCORAN. Oh, yes; it is true, not in quite the sense in which it has been put here.

Senator BREWSTER. You had a desk there?

Mr. CORCORAN. When I went out into private practice and the magnesium business, which I am going to describe to you, came to me in a hurry, I looked around for space to locate an office in Washington. I couldn't find an office in Washington without going to more trouble than I then had time to go to. The only office space I could find downtown which afforded me the use of a conference room and comfortable office facilities while I was arranging for other office space happened to be this particular office and these two men were friends of mine. They had space they were saving for expansion. I used that space, I think, for about 5 months, until I had finished the magnesium deal; then I moved to an office of my own, which is one of the nicest offices in this town.

Senator BREWSTER. I had understood that it was extremely difficult to get into your office, Mr. Corcoran. Where is it located?

Mr. CORCORAN. My office is in 1016 in the Investment Building.

Senator BREWSTER. 1016. The stories have been that you were very difficult to see.

Mr. CORCORAN. Very purposely, Senator, I have been very difficult to see.

Senator BREWSTER. So that story is correct.

Mr. CORCORAN. Certainly.

Senator BREWSTER. That doesn't imply anything about the price?

Mr. CORCORAN. Oh, no.

Senator BREWSTER. Well, I think that covers all that I have.

Mr. CORCORAN. I think, if you want to know why I have been difficult to see, the gentlemen who are sitting at this table will understand.

From September until January of last year I was in political life, hard, the way you people have to be in political life. From November until January, while I was cleaning up the affairs of the political committee of which I had been the most active head. I saw probably 50 people a day who thought they had reason to be able to talk with me because of association with me in the political campaign, and they were quite right about it. I lived in a goldfish bowl. My office was my apartment at that time and when I decided to go into business and thought of the 50 people that had been waiting, justifiably, outside the door every morning, I both moved my apartment and took my number out of the telephone book, with no number nor no name on the door in any other place. I had to decide whether I was going to take care of 50 more people a day or I was going to practice law, and I decided to practice law.

Senator BREWSTER. In other words, in private life you sought that same passion for anonymity that you recommended for the White House.

Mr. CORCORAN. I don't want, Senator, to involve anybody but myself. I never have had my name on a door that I can ever remember since I came to Washington. I figure on the theory of Emerson's mouse-trap maker; if people want to come to me, they will find me.

Senator BRIDGES. Mr. Corcoran.

Mr. CORCORAN. Yes, Senator.

Senator BRIDGES. Before you had any connection with the so-called Cohen companies, did you investigate or make any effort to learn about the personnel or any of the men associated with him as to their reliability or their reputation or anything of the kind?

Mr. CORCORAN. All I remember is the circumstances which I have detailed to you. Mr. Cohen came to me one morning when he was leaving for Savannah that afternoon. I couldn't take the business. I gave him a reference.

The next time I saw him was at a lawyers' conference, and the president of the shipyard, to whom I was introduced, was Crowley. I think Crowley is a man of impeccable reputation.

After that I heard a great many stories. I don't know whether they are true or not. For the purposes for which I was working, as an associate counsel for somebody else, it didn't make any difference whether the stories were true or not.

You are going to investigate, as I understand it, the relationships of those companies during the remainder of the week, and you can determine whether or not the stories are true. All I know is that this shipyard is one of the most extraordinary shipyards I have ever known because it is the only one I know of that has been constructed with private funds in this emergency.

Senator BRIDGES. Mr. Corcoran, do you know a man by the name of John Roberts?

Mr. CORCORAN. No.

Senator BRIDGES. Never met him?

Mr. CORCORAN. No.

Senator BRIDGES. Did you meet a man by the name of Frank Hale, the so-called boss of Indiana?

Mr. CORCORAN. No; I have known a man for a long while named Frank McHale.

Senator BRIDGES. Did he have any connection with this company?

Mr. CORCORAN. He has, as I understand it, a connection with the Empire Ordnance Co., and I think the same people own the Savannah Shipyards.

Senator BRIDGES. Then did this knowledge come to you after your association or before?

Mr. CORCORAN. This knowledge came to me after the lawyers' conference in the Dempsey office.

Senator BRIDGES. Did you ever hear of Mr. Cohen having an associate or having any connection with a man who was a close associate of Al Capone?

Mr. CORCORAN. No.

Senator BRIDGES. And would your associations with him have been close enough so that if that were true you probably would have learned of it? Did he take you into his confidence that way?

Mr. CORCORAN. No; my association has been with the firm of Dempsey & Koplovitz, and not with Cohen.

Senator BRIDGES. May I ask you, do you have any knowledge of Cohen's inability—

The CHAIRMAN (interposing). I will say, Senator, that Mr. Cohen will be on the stand, and you can ask him all those questions if you so desire.

Senator BRIDGES. All right. My questions were directed more toward Mr. Corcoran's knowledge of whether he went into this with a knowledge of some of the men he was to be associated with or whether he was an innocent victim.

Mr. CORCORAN. Senator, isn't it important that what I went into wasn't any general business of Empire Ordnance or Savannah Shipyard? My employment was employment from another law firm, of real respectability.

Senator BRIDGES. I should think that—

Mr. CORCORAN (interposing). And my employment has been limited to one transaction with that law firm.

Senator BRIDGES. My thought would be, due to the position that you have held in Washington in years past, that you would take a great deal of care whom you represented, and I just wondered whether you walked into this with your eyes open or not.

Mr. CORCORAN. So far as I am concerned, I have never represented anybody in this thing. I have been associate counsel of other counsel whom I simply recommended to somebody who asked me who the best municipal bond lawyer in town was. What investigation they made, I don't know, Senator. This is a very small item in my affairs of this year.

Senator BRIDGES. In other words, if you are approached by a party needing an attorney, you don't inquire a great deal as to their reputation—

Mr. CORCORAN (interposing). Senator, it is up to the other attorney to make such investigations as he deems proper in view of what he is asked to do.

Senator BRIDGES. And you went ahead on this on the assumption that the people with whom you were to be associated had properly investigated and were acting for reputable clients.

Mr. CORCORAN. Senator, I went ahead when I was requested by the firm to which I had made a recommendation, and let them investigate their own client. When I was asked by them to back them up on a purely legal question in which many other lawyers disagreed with them, it didn't seem to me that it was my business to find out what their client was doing outside of the particular business I was asked to work with.

Senator BRIDGES. Well, getting down to the principle that I wanted to get clear, it was that you don't consider it necessary for you, as an individual, considering your past associations in Washington, which have been generally known, to take care in the type of work in which you are engaged for which you will receive a fee.

Mr. CORCORAN. Oh, yes, Senator; I think that is desperately important.

Senator BRIDGES. I mean you didn't do it in this case.

Mr. CORCORAN. I wasn't in this case in any relationship which required me to do any looking into that sort of thing, Senator.

Senator BRIDGES. I mean, although your association was with another law firm, you were representing the Cohen interests.

Mr. CORCORAN. I was representing a Savannah shipyard which was deciding whether it would buy some municipal bonds from the Savannah Port Authority, and I decided that it shouldn't buy the bonds, or rather I didn't decide it, but, as Senator Brewster says, I was associated in an opinion that recommended that the bonds shouldn't be bought.

Senator BRIDGES. But nevertheless, it is true that you went into this outside of the integrity of the firm you were associated with, without any knowledge or investigation of the ultimate client you represented.

Mr. CORCORAN. My client was a firm of recognized integrity, I think.

Senator BRIDGES. They were associated, in turn, with other people, and you didn't investigate their clients, with whom you were associated.

Mr. CORCORAN. Senator, my client was associated with a proposal to buy or not buy some bonds that I didn't think were good. That is the answer. If I were going into a general representation of a client, I would be very, very careful about the client himself unless, as has been the case in many a situation, I was to act "in rem," or I was put in to straighten a situation out.

Senator BRIDGES. Assume, today, Mr. Corcoran, that the A. B. C. firm approached you, of lawyers whom you believe to be reputable, and they asked you to become associated with them on a certain case involving high governmental officials here in Washington on

the one hand and perhaps some private concern on the other, regardless of the reputation of the private concern or regardless of their past or their actions in the past or regardless of their association with the high Government officials, as long as you had confidence in that firm that asked you to be associated with them, that would be your determining factor, would it?

Mr. CORCORAN. Well, Senator, remember the beginning of the sentence—you said, "If you are retained to represent this corporation in matters before high Government officials." Please understand that so far as this Savannah Shipyards situation we are talking about is concerned, this was a closet job between two lawyers, sitting down and working over the words of a statute and the application of the words of the statute to the construction of a shipyard. I think you will find, Senator, in this situation no contact with any Government officials.

Possibly, Senator, I didn't follow the sentence. If so, I am very sorry.

Senator BRIDGES. No; but I asked you if, today, you were solicited by a firm of attorneys in Washington, New York, or anywhere else, to be associated with them representing, we will say, a private business or a private corporation, that the question of whether or not you believed in the reputation and integrity of the firm—

Mr. CORCORAN (interposing). Certainly I can answer that question. Certainly, Senator.

Senator BRIDGES. That would make no difference—the reputation or the action of the private corporation.

Mr. CORCORAN. Oh, it would make all the difference in the world, Senator.

Senator BREWSTER. Mr. Corcoran, you have emphasized a great deal that this was a closet job. I should say, as consulting counsel.

Mr. CORCORAN. That is right.

Senator BREWSTER. Do you have the impression that Mr. Cohen sought you out in the first instance because you were an authority in the field of municipal finance?

Mr. CORCORAN. I don't know what—

Senator BREWSTER (interposing). Did you have a great reputation in that field?

Mr. CORCORAN. No, Senator. I think this is probably what happened. I think probably he had gotten conflicting opinions on that business from several lawyers and that he was very much puzzled about what he had to do, and he was up against a deadline where he had to decide his course the next morning. But no matter what he may have had in the back of his mind, I didn't take the business, Senator.

Senator BREWSTER. You took the \$5,000.

Mr. CORCORAN. I didn't take his business. I didn't take his \$5,000, either.

Senator BREWSTER. Where did it come from?

Mr. CORCORAN. I don't know where it came from.

Senator BREWSTER. Do you think Dempsey & Koplovitz were just doing this as a charitable thing?

Mr. CORCORAN. I think this is probably what happened. Mr. Cohen came to me and I said, "I can't take the business." I did not reflect on Mr. Cohen when I said that; I knew nothing about Mr. Cohen

at that time; all of the talk about Mr. Cohen is something that has followed since. When I said to Mr. Cohen, "I can't take the business. I am sorry," my easy answer was that I had another client interested in shipyards. "Well," he said, "is there anybody else to whom you can refer me?"

I referred him to somebody else.

A week or so later, that somebody else has gone into the situation, has decided that he wants to take the client, and finds himself in conflict with the opinion of other lawyers. Then that lawyer comes to me.

Senator BREWSTER. I think it is clear from there on as to what happens. Do you refer in your statements otherwise to the Empire Ordnance affairs?

Mr. CORCORAN. Oh, yes; all through here.

Senator BREWSTER. I mean subsequent to what you have said so far.

Mr. CORCORAN. No.

Senator BREWSTER. You have concluded your statement on that phase?

Mr. CORCORAN. That is right.

Senator BREWSTER. Are you familiar with what are alleged to be delays in the functioning of the Empire Ordnance Co.?

Mr. CORCORAN. No, Senator; I am not.

Senator BREWSTER. That they greatly hampered, supposedly—

Mr. CORCORAN (interposing). Those are things I don't know.

Senator BREWSTER. The war effort. You have no knowledge of that?

Mr. CORCORAN. No.

The CHAIRMAN. Did Senator Willis want to ask a question?

Senator RAYMOND E. WILLIS (Indiana). No.

Senator BRIDGES. I want to ask one more question. I want to make it clear, because there have been various reports made about it. Did the firm of Dempsey & Koplovitz—whatever the name is—call you. Mr. Corcoran, or did you call them in and become associated with them? Who took the initiative?

Mr. CORCORAN. They called me in.

The CHAIRMAN. Proceed with your statement, Mr. Corcoran.

Mr. CORCORAN. Any more questions?

Senator MEAD. Mr. Chairman, I am not very familiar with the Savannah project or with the Empire Ordnance Co. I just about know geographically where they are located. But I would like to find out if this Savannah plant has been constructed.

Mr. CORCORAN. Yes.

Senator MEAD. I believe you said there wasn't a dollar of Government money in the construction.

Mr. CORCORAN. That is right.

Senator MEAD. So that we haven't lost anything to date.

Mr. CORCORAN. No.

Senator MEAD. Now have they a contract, and if so, from whom?

Mr. CORCORAN. They have a contract, as I understand it, from the Maritime Commission, a contract granted only about 2 weeks ago.

Senator MEAD. And what type of contract is it?

Mr. CORCORAN. For the Liberty ship.

Senator MEAD. For the Liberty ship. Similar to contracts that have been awarded to other shipyards for the same type of ship?

Mr. CORCORAN. I should think a much more difficult contract than has been awarded to other shipyards.

Senator MEAD. More difficult?

Mr. CORCORAN. Very frankly, I will tell you, from my little business judgment and from what I know of the shipyard business, I think only a very courageous man would have accepted the contract in the terms the Maritime Commission put it up to the Savannah Shipyards.

Senator MEAD. Then you would say it is a tighter contract?

Mr. CORCORAN. Very much tighter.

Senator MEAD. Mr. Chairman, I presume the committee could ascertain for the record the difference between the contract awarded in this instance and other contracts awarded along the same general plan.

The CHAIRMAN. We will instruct the counselor to get that information and make it a part of the record.

Mr. CORCORAN. Understanding, of course, Senator, for the record, that I had no part in the slightest in the relations leading to that contract.

Senator MEAD. I think it would be well to establish the type of contract awarded in this instance, because of the prominence given to the Savannah shipyards and, Mr. Chairman, perhaps the counsel for the committee would have some information or he could get some information.

Mr. FULTON. That contract has been a matter of investigation by the committee, and I think that Mr. Corcoran is right in saying that it is somewhat tighter than the ordinary one, partly because in April I had told the Maritime Commission, on behalf of the committee, not that they should or should not grant a contract but that they should be exceedingly careful in granting it to make sure that they protected the interests of the Government, and they told me that, because of that, they took especial—

Senator CONNALLY (interposing). The Maritime Commission is supposed to do that without any instructions.

Mr. FULTON. The reason, Senator Connally, was the fact that I had some familiarity with Mr. Cohen.

Senator HERRING. What business is that of ours? It is none of our business.

Senator CONNALLY. I don't think you have any right—

Senator HERRING (interposing). The Maritime Commission can run their business without any instructions from this committee.

Senator CONNALLY. You went down and told them they should be exceedingly careful. I didn't know that counsel for this committee was running all the departments. I think that we had better go on with this witness and hear the counsel later.

The CHAIRMAN. That is what we propose to do, Senator, if you will give us a chance.

I thought Senator Herring said something.

Senator HERRING. It has nothing to do with the testimony of this witness.

The CHAIRMAN. Not at all.

Senator MEAD. Mr. Chairman, as a member of this committee, I want inserted in the record the information that I have just requested, and that is the type of contract awarded to the Savannah shipyard.

The CHAIRMAN. That will be carried out.

Senator MEAD. I don't care for the moment whether it interferes with the routine that is in the mind of any other member of the committee or not. I just want to ask for that and have that inserted in the record for my own benefit.

Along the same line, Mr. Chairman, I want to know if this other company that has been mentioned—I only know of its geographical location—the Empire Ordnance Co. have a contract with the Army or the Navy or any other Government agency.

Mr. CORCORAN. I don't know. If they have a contract it is a very unimportant contract. The contracts of the Empire Ordnance Co., I understand—and I only know this by hearsay; it is none of my business—are with the British Government.

Senator MEAD. With what?

Mr. CORCORAN. With the British Government.

The CHAIRMAN. We will get that information for you, Senator.

Mr. CORCORAN. That is what "Empire" stands for in the name of the corporation.

Senator MEAD. It is important, in view of the prominence given these two projects, that we know something about the contracts that have been awarded them, and the information I now have, which is very helpful to me, is that the Savannah shipyard, which was built without Government funds, has a contract from the Maritime Commission. The type of contract will be explained in the record later on. I learn that the Empire Ordnance Co. has a contract with the British Government.

Mr. CORCORAN. That is all I know about it.

Senator MEAD. I see.

Mr. CORCORAN. There may be some small straggling contracts on the side, but I understand—and the only reason I have any information is my inquiry into what the West suit was about—that Empire Ordnance has no contracts with the United States Government.

Senator MEAD. In both cases, however, this Government hasn't lost any money out of it.

Mr. CORCORAN. This Government hasn't lost any money; I haven't any percentage fee; I haven't any brokerage fee. I have a \$5,000 incidental fee for backing another lawyer up in a ticklish question about municipal bonds.

Senator BREWSTER. You don't mean to intimate that the British contract with Empire Ordnance is not substantial.

Mr. CORCORAN. I don't know.

Senator BREWSTER. I didn't want to leave that impression. Do you know whether or not the United States Government is furnishing the funds for that?

Mr. CORCORAN. I don't know anything about it.

Senator BREWSTER. Wouldn't it be fair to assume that we were?

Mr. CORCORAN. I don't know. Those contracts, I would guess, were pretty old contracts.

Senator BREWSTER. Yes. Aren't we substantially financing the British now?

Mr. CORCORAN. I don't know whether you are financing the British on their contracts that were let a couple of years ago.

Senator BREWSTER. I think, in that light, it might be well for you to verify whether or not it is correct that they have delivered less

than one-fifth of the gun mounts, recoils, and guns they were scheduled to deliver to the Pressed Steel Co. and the Pullman Co. That was a statement which I received.

Mr. CORCORAN. I don't know anything about those matters.

Senator CONNALLY. The point I am making is that this doesn't relate to the witness's testimony.

The CHAIRMAN. Proceed, Mr. Corcoran, with your statement.

Mr. CORCORAN. I think there are other people—

Senator CONNALLY (interposing). Wait a minute, Mr. Chairman. I want to ask the witness some questions before he leaves this.

The CHAIRMAN. Fire away.

Senator CONNALLY. Mr. Corcoran, I wasn't here in the first part of your statement. Do I understand you now to say that your only connection was with some particular proposed transaction about the purchase of municipal bonds by this shipyard?

Mr. CORCORAN. That is right, Senator.

Senator CONNALLY. Did you represent them in any other matter at all?

Mr. CORCORAN. No.

Senator CONNALLY. Did you get this contract with the Maritime Commission?

Mr. CORCORAN. No.

Senator CONNALLY. You had nothing to do with that?

Mr. CORCORAN. No.

Senator CONNALLY. You had been, I assume from the press, an attorney for the R. F. C. for a number of years.

Mr. CORCORAN. For nearly 8 years.

Senator CONNALLY. Well, did the functions of the R. F. C. include the passing upon securities of various kinds—State and municipal?

Mr. CORCORAN. Yes, sir.

Senator CONNALLY. Did you recommend that they buy these bonds?

Mr. CORCORAN. No.

Senator CONNALLY. You recommended that they didn't?

Mr. CORCORAN. That is right.

Senator CONNALLY. So they still have their money.

Mr. CORCORAN. That is right.

Senator CONNALLY. Is that what your testimony covers here? I haven't been here all the time.

Mr. CORCORAN. That is right.

Senator CONNALLY. Is that all of it on this point?

Mr. CORCORAN. That is right, sir.

Senator CONNALLY. That is all.

The CHAIRMAN. Proceed, Mr. Corcoran.

Senator BRIDGES. Just one more question, now, along that line. I asked some questions here, Mr. Corcoran, as to your knowledge of the Cohen interests, and I think that you developed a line of thought in testimony that you were confident in the firm of Dempsey & Koplovitz that you were associated with, and therefore, you didn't look into it further—something to that effect. But is it not true, or is it true, that earlier in your testimony you testified here today that you recommended Koplovitz to Cohen?

Mr. CORCORAN. Cohen asked me to recommend some expert in Washington on municipal bonds and I told him the best man in town was Mr. Koplovitz.

Senator BRIDGES. Doesn't that make your testimony here, of not knowing the Cohen interests, and so forth, a little ambiguous, to say the least?

Mr. CORCORAN. No. A man comes in to me and I say, "I am sorry; I can't take your business." He says, "Do you know of a good lawyer?" And I pick him the best lawyer in town for the specific purpose he has in mind.

Senator BRIDGES. Then this law firm comes back and retains you after you have recommended them.

Mr. CORCORAN. The law firm comes back and retains me to back them up on an opinion on which many other lawyers differ with them.

Senator BRIDGES. Indirectly, then, although you told him you could not represent him at first, by a backhanded method, you finally did represent him.

Mr. CORCORAN. No; I am not representing him, Senator.

Senator BRIDGES. You are passing on the case which you refused to pass on at first, aren't you?

Mr. CORCORAN. No; I am simply corroborating another lawyer's opinion. The lawyer hires me—not Mr. Cohen.

Senator BRIDGES. Yes; but at first, Cohen approached you. You refused to take the case.

Mr. CORCORAN. That is right.

Senator BRIDGES. You recommended Koplovitz?

Mr. CORCORAN. That is right.

Senator BRIDGES. Then after Koplovitz got the case upon your recommendation, he turns around and employs you.

Mr. CORCORAN. Senator, that is 3 weeks later.

Senator BRIDGES. But the facts are that he employed you on the case which you refused and recommended him for.

Mr. CORCORAN. That is right.

Senator BREWSTER. Mr. Corcoran, you said that you determined very definitely, without consulting the Maritime Commission, that the sea-otter type would not go.

Mr. CORCORAN. That Cohen shouldn't try to build it; that is right.

Senator BREWSTER. Who were some of the authorities you determined that from?

Mr. CORCORAN. Very frankly, I talked—when I said the sea-otter type would not go, it represented the judgment of shipbuilders that the sea otter—

Senator BREWSTER (interposing). That is what I am asking.

Mr. CORCORAN. I talked to Todd shipyards.

Senator BREWSTER. To some of their ship experts?

Mr. CORCORAN. Yes.

Senator BREWSTER. Did you talk with Newell?

Mr. CORCORAN. No; I know Newell well, but I talked to Reilly—I didn't talk to Newell. Newell is head of the yard up in Portland, where you are acquainted. I think that judgment has been corroborated; I don't know. Not that there is anything wrong with the sea otter. I think it is a brilliant idea. What I asked some of my other shipbuilding friends—and I know a great many of them, Senator—was for their judgment as to whether a new man in the shipbuilding field ought to put his cards, commercially, on the sea otter or on something else. That is all.

The CHAIRMAN. Proceed with your statement.

Senator CONNALLY. One question in connection with what Senator Bridges brought out. You say this man Cohen approached you first?

Mr. CORCORAN. That is right, Senator.

Senator CONNALLY. And you declined?

Mr. CORCORAN. That is right.

Senator CONNALLY. Why?

Mr. CORCORAN. Because, first of all, I couldn't take the business. I had too much to do at that particular moment. And, secondly, because, as I have explained very carefully to the committee, I had conflicting interests on anything that related to shipyards. I wasn't able even to come in and help on this narrow question of municipal bonds, until I had expressly cleared my professional relations up in New York.

Senator CONNALLY. That is why I asked you. The first approach was for general representation, was it?

Mr. CORCORAN. No; the problem was on these bonds.

Senator CONNALLY. This bond problem?

Mr. CORCORAN. This problem about the bonds.

Senator CONNALLY. Well, did you have any reason other than your engagements with other people?

Mr. CORCORAN. I would have had to have looked into the whole history of the man and the enterprise and find out what it was about.

Senator CONNALLY. I mean was there anything at the moment that made you think that it would have been improper to have taken employment if you could have done so consistently with your duties to other clients?

Mr. CORCORAN. There was nothing at the moment, but I didn't have to make the decision, because I couldn't take the business anyway.

Senator BRIDGES. You did take it later, didn't you, Mr. Corcoran?

Mr. CORCORAN. No; I didn't take that business, Senator. I took some other business.

Senator BALL. Mr. Corcoran, can you tell us approximately how many days you put in on that Savannah shipyard?

Mr. CORCORAN. On this business?

Senator BALL. Yes.

Mr. CORCORAN. The problem involved not only a decision on the municipal bond purchase but also of finding a way how the negotiations which had gone on in the municipal bond business could be terminated without too bad a breach of personal feelings. I should say probably we worked on the problem—off and on—for about a month. When you consider charges on these things, you always want to remember that in computing what you charge, you always compute what is coming out of it net; that is, after taxes and expenses. I don't think I have ever worked on anything for less than \$5,000 because very frankly I can't afford to.

Senator BALL. You didn't do quite that well in the Government, did you?

Mr. CORCORAN. What?

Senator BALL. You didn't do quite that well in the Government, did you?

Mr. CORCORAN. The men who didn't go into the Government at the time I went into the Government have, I am sure, over the course of

the 10 years I have been in the Government, made much more than I have.

Senator CONNALLY. Mr. Chairman, I would like to ask him a question about this matter.

The CHAIRMAN. Proceed, Senator.

Senator CONNALLY. How much was involved in the purchase?

Mr. CORCORAN. Two and a half minimum, five million maximum, Senator.

Senator CONNALLY. The bonds, I mean.

Mr. CORCORAN. That is right, of the bonds.

Senator CONNALLY. You got five thousand?

Mr. CORCORAN. That is right.

Senator CONNALLY. For a fee?

Mr. CORCORAN. That is right.

Senator CONNALLY. Do you have any recognized schedule of fees, percentages, when they pass on these bonds?

Mr. CORCORAN. I don't know, Senator.

Senator CONNALLY. You don't know? You just figured that \$5,000 would be a fair fee?

Mr. CORCORAN. This was a more complicated problem than the mere passage on the bond issue. It was a problem not only of whether the bond issue was good or bad; it was a problem of getting unentangled from relationships that had been created on the assumption that the bond issue would be good.

Senator CONNALLY. That is all.

Senator BRIDGES. Mr. Corcoran, what was the fee that Dempsey & Koplovitz charged?

Mr. CORCORAN. I don't know, Senator.

Senator BRIDGES. You didn't discuss with them what they were charging for this thing?

Mr. CORCORAN. No.

Senator BRIDGES. Let me ask you again if what happened wasn't exactly what we have outlined here, that you, having first contacted, or Cohen contacted you for some reason which you have not disclosed, at least I haven't heard it, refused to represent Cohen directly, but you represented Koplovitz & Dempsey for obvious reasons, and you said that the reason you were recommending Koplovitz was that he was an expert on bond financing, and then they turn around—

Mr. CORCORAN (interposing). That can be objectively determined—what I have told you about Koplovitz.

Senator BRIDGES. All right. Then they turned around and employed you as associate counsel for advice on a bond which you recommended Koplovitz as an expert on, to determine a case which you refused at first. Isn't that true?

Mr. CORCORAN. That is true, Senator.

Senator BRIDGES. Then I can't understand your denying here earlier it made no difference, or something to that effect, whom you represented or anything about Cohen; that you were confident in Dempsey & Koplovitz, and, therefore, you didn't take any particular interest in the Cohen companies or Cohen associates. I should think that you wouldn't have wanted to have been connected in any way with that outfit.

Mr. CORCORAN. In the course of this last year, I suppose I have turned away 10 times as much business as I have taken. In recognition of the confidence of the man who asked me to take his business, and as token of my thanks to him for thinking of me, I have always referred that man whose business I couldn't take to as outstanding an expert as I knew in the problem that he was talking about.

Senator BREWSTER. And has the expert always reemployed you?

Mr. CORCORAN. No, Senator.

Senator BREWSTER. That was what he did in this case.

Mr. CORCORAN. No, Senator; it isn't true.

Senator BREWSTER. Yes; he did.

Mr. CORCORAN. I say it is not true that the expert has always reemployed me.

Senator BREWSTER. But he did in this case.

Mr. CORCORAN. But what we are talking about here is a very narrow problem. We are talking about a transaction of buying some bonds of a municipality in Georgia, and there is no evidence to counteract in the slightest what I have told you; beyond that, nothing was involved.

The CHAIRMAN. Proceed.

CONNECTION OF THOMAS G. CORCORAN WITH VIMALERT CO.

Mr. CORCORAN. Now, the next one involved is the Vimalert case. This is the so-called junk-dealer case, and in connection with this case I have been accused, or at least the story is told to support an inference that I solicited a contract for defense supplies from the United States Army on behalf of a small engine manufacturer, the Vimalert Co. of New Jersey.

In fact, what happened in this case was that I managed by negotiation to reduce an \$8,000,000 order of the British Purchasing Commission to a \$1,000,000 order—with satisfaction to all parties—and that is not the way a percentage broker operates.

The important fact in the case is the letter of intent dated December 30, 1940, sent to this company by the British Purchasing Commission, and although the photostat was procured in such a hurry that it is not a good photostat, I have given this letter to you in photostatic form and there is the contract right before you.

You notice this letter of intent of the British Purchasing Commission authorizes the company to proceed with an order for the manufacture of a thousand tank engines at a cost-plus price not exceeding \$8,000,000, and provided for the drafting of a formal contract in due course. In other words, the solicitation of this order had been completely negotiated between the British and Vimalert prior to the date of the letter.

(The letter of intent referred to was marked "Exhibit No. 340" and is included in the appendix on p. 4227.)

Mr. CORCORAN. Now, I was not retained to represent the seller in this matter until January 4, 1941. I had not participated in or even known of the negotiations which had already crystallized, and my task was to represent that seller in working out the numerous details which obviously would have to be covered in the formal contract.

Technically, the preparation of this \$8,000,000 contract for a small manufacturer with limited working capital on a cost-plus basis and with a guaranteed maximum, with costs rising, presented the probability of very substantial difficulties.

This was a very peculiar situation. The engine to be manufactured was the so-called Nuffield Liberty, a British adaptation of the American World War Liberty engine, and the greater portion of the component parts of the American Liberty engines were interchangeable, with some machining, with parts specified for the Nuffield.

In the course of its operations the Vimalert Co. had acquired from time to time over many years, by purchase, exchange, and otherwise, the largest stock in the country of unused Liberty engine parts, which had been kept in first-class condition. This was an experimental engine company. It developed the mosquito-boat engine which is now manufactured under license by the Sterling Engine Co., and the easiest material to work from always was the parts of these Liberty motors.

In its search for war materials, the British, prior to the order for the engines expressed in the letter of intent of December 30, had bought sets of these parts from Vimalert for assembly in Nuffield tank-engine plants in England, and the December 30 letter seems to have represented a British decision that it was easier to utilize Vimalert's parts by having that company build the entire Nuffield engine around the parts in Vimalert's inventory than to ship the Vimalert parts to England for incorporation in British-made engines in British factories.

Now, at the time of my retainer I recommended that the client also retain Mr. Stuart Guthrie to assist me, particularly in the drafting. Mr. Guthrie was a very old and very dear friend of mine. He was at that time living in New York. He is the individual with whom I now share offices over in the Investment Building.

Senator BALL. Was he also formerly employed by the Government?

Mr. CORCORAN. Mr. Guthrie was at one time the counsel in charge of self-liquidating contracts of the R. F. C. Then he was the public utility counsel at the S. E. C. Then he was general counsel of the C. A. A., and before he left the Government, about the same time I left the Government, he was not the adviser to the Under Secretary of Commerce.

Senator CONNALLY. Mr. Chairman, may I ask a question? What is the purpose about recessing at 12 o'clock?

The CHAIRMAN. The committee will recess at 12 o'clock and meet again at 2:30.

Mr. CORCORAN. How much time does that give me?

The CHAIRMAN. About 5 minutes. It is very close to 12 o'clock. Suppose we recess now until 2:30, and you can proceed.

Mr. CORCORAN. Or do you want to finish the Vimalert?

The CHAIRMAN. How long will that take?

Mr. CORCORAN. I don't know; it depends on you.

The CHAIRMAN. We will recess until 2:30.

Mr. CORCORAN. All right.

(Whereupon, at 12 o'clock, the committee recessed until 2:30 p. m. of the same day.)

AFTERNOON SESSION

(Whereupon, at the conclusion of the recess, the committee reconvened at 2:32 p. m.)

The CHAIRMAN. The committee will come to order. You proceed, Mr. Corcoran, where we left off this morning.

Mr. CORCORAN. All right, Senator.

We were on page 8 of the Vimalert statement, were we not?

The CHAIRMAN. That is right.

Mr. CORCORAN. Shortly after the drafting started it became apparent that the British were running short of American balances—that is, through the United States Treasury, in the application of American balances to American matériel contracts—and that difficulties would be encountered in making the contemplated down payments which the manufacturer needed for working capital and as insurance against the possibility of a short war. The seller also encountered difficulties in placing its contracts for materials.

Mr. Guthrie and the officers of the company came to me for advice, and in subsequent discussions I met and discussed with officials of the British Purchasing Commission the financial problems created by these situations.

After several weeks of discussions, cumulative disappointments and urgencies on both sides created a situation in which both Mr. Guthrie and I elected to withdraw from the case, and we so notified the clients.

We were then urged both by the British, because of their pressing need for the engines, and by Vimalert, to reenter the situation and endeavor to work out a satisfactory solution of the many problems involved. We were to be employed by the company, but in a general way it was understood that we were to develop arrangements that would be fair and equitable to both parties. In view of the British participation in this request, we accepted a new proposal from Vimalert, in which Vimalert gave us full authority to work out a solution with the British, and agreed that for seeing the situation through we could each be paid a flat fee of \$25,000.

Extended discussions followed, and numerous drafts of a contract were prepared. Many difficulties were settled. Some seemed almost insurmountable. Eventually relations were worked back to the basis on which the parties had successfully done business prior to the December 30 letter of intent—that is, the purchase of parts as such, rather than assembled engines.

In the intervening time the Lease-Lend Act was introduced and eventually passed. Somewhere in those proceedings it developed that instead of paying Vimalert out of British funds which it had been expected would be released after the act, the British would be required by American Government policy to apply for the purchase of the parts by the United States for the British account under the Lend-Lease Act. Accordingly, in the end, the British commission filed requests asking the United States to purchase these parts for them.

Despite the reluctance of Mr. Guthrie and myself to participate in any transactions involving sales to the American Government, we did not feel that this situation quite fell within that category. We had not participated in soliciting anybody to buy anything. At the express request of the officers of the British Purchasing Commission we had undertaken a difficult assignment on a sale that had already been agreed upon before we ever heard of the case. The fact that because of subsequent events over which we had no control the British were required to ask the United States to buy the parts for them did

not seem to justify us in again withdrawing from the case and compelling the client, at that late day, to engage new counsel who were wholly unacquainted with the cause.

The prices settled upon with the British were comparable to the prices at which they had previously purchased from this company in 1940. The British asked the Lend-Lease Administration to purchase at these prices and certified the prices to the United States Ordnance Department as reasonable. But the United States Ordnance Department differed with the British on the prices. After 2 months of deadlock the matter was finally settled by the British getting authority from the American Government to utilize their own funds for part of this purchase.

The order was thereupon split. The United States committed lend-lease funds of an approximate total of \$500,000 to pay for British lend-lease requisitions for items whose aggregate cost was within the United States Army's standard inventory valuations for such parts. The British paid approximately the same amount out of their own funds for the rest of the parts.

The entire negotiations took nearly a year.

There is a blueprint copy of that photostatic letter of intent on the next page of the statement.¹

The CHAIRMAN. Senator Ball, did you have any questions on this?

Senator BALL. Yes; I would like to ask some. You say that you did reduce the total contracts from eight million to one million?

Mr. CORCORAN. That is right.

Senator BALL. I take it for granted they didn't order 1,000 complete engines in the final analysis?

Mr. CORCORAN. Oh, no, they took the parts instead of the engines.

Senator BALL. But not complete parts for a thousand engines?

Mr. CORCORAN. I don't know. I should think probably the parts were 65 percent of the parts for a thousand engines. What had happened was that the Liberty engine had been cut down to get it into a tank which meant the bottom had to be shortened up and squeezed up around the sides. The running parts of the engine were the same. It was a matter of bringing the oil pan up around the sides and shortening up the crankcase.

Senator BALL. They went on buying parts as they had been buying them before?

Mr. CORCORAN. That is right.

Senator BALL. Except that they did part of it under lend-lease and part with their own funds.

Mr. CORCORAN. That is right.

Senator BALL. As I understand, they bought with their own funds those parts on which the prices were above the standard list.

Mr. CORCORAN. That is right.

Senator BALL. Of the Army.

Mr. CORCORAN. That is right.

Senator BALL. And, of course, that way the company had no assembly or any of that sort of expense.

Mr. CORCORAN. That is right.

Senator BALL. When was this final deal made splitting the purchase?

¹ Previously entered as Exhibit No 340, see appendix, p. 4227.

Mr. CORCORAN. I think it was along sometime at the beginning of September.

Senator BALL. September? So you had worked off and on since January on it.

Mr. CORCORAN. Yes; as a matter of fact, it wasn't completely tied up until a few days ago.

Senator BALL. And your \$25,000 fee was paid.

Mr. CORCORAN. Oh, yes.

Senator BALL. You say here in one place that the British Purchasing Commission asked you to get into this and you and Guthrie withdrew once and then you got back in.

Mr. CORCORAN. That is right.

Senator BALL. Had you ever represented the commission before on any other work?

Mr. CORCORAN. No.

Senator BALL. How many days would you say you put on this whole thing?

Mr. CORCORAN. I don't know, Senator; it is very hard to tell; it was off and on, off and on, over a long period of time. Sometimes you would work 24 hours a day and 48 hours in a row and then the rest of the week you have to wait for a board to act. I would like to put in the record, if I may, several letters, one a letter of May 15 from Vimalert to the Chief of the Ordnance Department; another a letter of July 1 to the O. P. M., which at one stage had the power to pass on this contract. One of the difficulties was that in the beginning of the lease-lend operation it wasn't clear who really did have authority to work out these lease-lend purchases. Another one is a letter of July 8 to the Defense Aid Division in the Office of the Under Secretary of War, and another to the assistant to the Under Secretary of War.

The CHAIRMAN. These letters will be made a part of the record.

(The letters referred to were marked "Exhibits Nos. 341 to 344" and are included in the appendix on pp. 4227-4234.)

The CHAIRMAN. Was Mr. Guthrie also paid \$25,000?

Mr. CORCORAN. Yes, sir.

The CHAIRMAN. The attorneys' fee in this case then wound up at about 5 percent of the total contract.

Mr. CORCORAN. Well, I don't know. These things weren't figured on a percentage basis.

Senator BALL. Fifty thousand is 5 percent.

Mr. CORCORAN. Arithmetically that is right.

Senator BALL. O. K. That is all, Mr. Chairman.

The CHAIRMAN. Senator Hatch, did you have any questions?

Senator HATCH. No; I wasn't here this morning, Mr. Chairman, and I very much object to a Senator's coming in at the last moment and attempting to cover all the ground that has been covered. I am reading the testimony now, trying to catch up with it. I may want to ask some questions after all.

Senator BREWSTER. The only question I had was about rumored connections with the British before you became connected with the Vimalert.

Mr. CORCORAN. No; I had no connection.

Senator BREWSTER. Had you any conversations with them?

Mr. CORCORAN. No; I met the British in the course of the conversations representing Vimalert.

Senator BREWSTER. But prior to January 4, 1941, you had no conversations of any character concerning this affair?

Mr. CORCORAN. No.

Senator BREWSTER. With the British or anyone else?

Mr. CORCORAN. No.

Senator HATCH. I do want to ask just a general question, Mr. Corcoran. I have noticed already here, as far as I have read, referring to contract brokerage and things like that, and you mention "influence" here, it is hard to define, and those things. I think we both understand what each is talking about. What has been the nature of your practice since you left the Government? Has it been as a lawyer?

Mr. CORCORAN. Yes; it has been as a lawyer.

Senator HATCH. Or broker?

Mr. CORCORAN. No. As I think I have made clear to the committee this morning, the only way I can answer that is to go through the facts of each case.

Senator HATCH. That is right.

Mr. CORCORAN. And I don't know what a broker is, either.

Senator HATCH. I could not be here this morning, as I say, and I did want to hear your testimony very much, and I will wait and let you develop it and then perhaps we will have some questions.

Senator BALL. Mr. Corcoran, in your preliminary statement you said you had never dealt directly with procurement agencies. In this case, I realize that you state you originally came in to draft the contract which had already been agreed upon, but later you actually did negotiate the final contract for the Vimalert Co., the revised contract?

Mr. CORCORAN. I moved between both sides, between the British and the Vimalert. Of course, the British passed that contract as it had been negotiated between them and Vimalert.

Senator BALL. But you were actually representing Vimalert in negotiating that final contract?

Mr. CORCORAN. Well, with the British.

Senator BALL. And the Army?

Mr. CORCORAN. Well, when it got to the Army it was the British negotiating with the Army.

Senator BALL. Yes?

Mr. CORCORAN. The British put their contract in the form of a requisition; from then on the British were negotiating with the Army.

Senator BALL. What I am getting at is in this final \$1,000,000 contract you actually did the negotiating for the Vimalert Co.?

Mr. CORCORAN. Yes; after the British and Vimalert had agreed.

Senator BALL. And in this case your fee must necessarily have come out of this million dollars.

Mr. CORCORAN. Let me put it this way. The same price would have been paid no matter what my fee was. The price was fixed by the Army. Now, I don't deny that my fee came out of the company, what the company got out of the contract, but I am saying the price to the War Department and the price to the British would have been the same whether the company had paid me or the company hadn't paid me.

Senator BALL. That is probably a true statement, but that is also true of almost any negotiations, but nevertheless the final terms of the contract quite often depend on the negotiator.

Mr. CORCORAN. I am sorry, maybe you and I are trying to make different points. What I am trying to say is that what I took out of this contract didn't increase the cost to the parties, either to the United States or to the British.

Senator BALL. Oh, yes; that is true.

Mr. CORCORAN. Magnesium is next.

The CHAIRMAN. Magnesium. Proceed.

CONNECTION OF THOMAS G. CORCORAN WITH HENRY J. KAISER MAGNESIUM SYNDICATE

Mr. CORCORAN. From January to June of this year I was employed by a group which had become interested in a new process that they thought would produce metallic magnesium at a new cost and of a new high purity and desired to build an experimental reduction plant, together with a fabricating plant large enough to handle its output.

The enterprise was undertaken as a joint venture by several interests, one of which was the Todd Shipyards Corporation of New York. My employment was for the latter company and its associates—through attorneys who regularly represented Todd. (As has been previously testified by representatives of Todd Shipyards before this committee, I have not been employed by this corporation in connection with its ship-building contracts.)

The significant fact about this venture is that the private parties bore all of the risks involved in constructing the first plant, at a cost of upward of \$3,500,000, which would prove or disprove the feasibility of the process. If it worked the United States would have the jump on the world in the production of this war time metal. If it failed the entire loss would fall on the collateral the private parties deposited with R. F. C. There was no commitment of any kind for defense orders for the product.

Many defense plants and extensions are built at the risk of Government funds, either through a so-called Defense Plant contract or, at an earlier stage, through a so-called Emergency Plant Facilities contract. The construction of the test unit of this plant through this unusual risk of private funds was undertaken after a request for the building of a plant under an Emergency Plant Facilities contract under the management of the same syndicate had been refused by the Government. In that request I had no part.

As the plan for the use of private funds was worked out, the long process of the organization of the venture included as two incidents two relationships with the Government. The first was the issuance of a so-called certificate of necessity. This is a privilege to amortize the cost of the facilities for tax purposes over a period of 5 years. It is a privilege freely granted to any worth-while enterprise in the defense effort, particularly if the enterprise is risking its own money in the new facilities.

The second relationship with the Government was the obtaining from the Reconstruction Finance Corporation of a fully collateralized loan.

The loan was a construction fund loan, drawn down against construction as completed. The commitment was for \$3,500,000.

The security was an assignment of fees amounting to \$4,800,000 payable by the British Government to the borrower, a California shipbuilding corporation, the corporation's patents and a mortgage

on the plant. The loan was negotiated personally by Mr. Jones with the chief parties in the syndicate, who had had other business relations with R. F. C. long before the matter of this loan ever came up.

The quality of the loan is attested to by its subsequent history.

On February 21, 1941, the original commitment of \$3,500,000 was made.

On June 30, 1941, the Reconstruction Finance Corporation increased the loan by \$5,750,000 to double the size of the plant.

On November 10, 1941, the R. F. C. further increased its loan by \$12,500,000 to quadruple the size of the original plant, refunding the earlier commitments of \$3,500,000 and \$5,750,000 in a single new loan of \$21,250,000.

I sat in conferences between the principals of the syndicate and Mr. Jones in the course of the negotiation of the first loan of \$3,500,000.

So far as it is charged that political influence or my influence, rather than the quality of the loan, determined the granting of the commitment for \$3,500,000, I think the cold arithmetic of the subsequent history of the loan speaks for itself.

Neither the application for the certificate of necessity nor the application for the loan to the R. F. C. constituted the difficult spots of the enterprise in which many men spent time and energy and imagination together.

The undertaking started from scratch. Far more difficult than the relations with the Government were the acquisition of basic patents, clearance of relations with inventors, organization of the engineering force—we had to send to Europe for one man—the internal arrangements and relations between syndicate members, the adaptation of the collateral to put it in form acceptable to the R. F. C., the obtaining of priorities on materials, and the plans for commercial utilization of the patents.

This undertaking has been recognized as perhaps the most significantly daring risk of private funds in the defense program. I like to think I played some part in the decision to dare.

My compensation was paid to me by the lawyers who retained me to assist them and who were in turn paid by their own clients. No part of their compensation nor my compensation for my services in the enterprise was paid out of the proceeds of the loan from the Reconstruction Finance Corporation, nor out of any other funds of the applicant to the R. F. C., nor otherwise out of Government funds.

The CHAIRMAN. Senator Herring, any questions?

Senator HERRING. No, Mr. Chairman.

The CHAIRMAN. Senator Ball?

Senator BALL. This is the Henry J. Kaiser Co. syndicate?

Mr. CORCORAN. That is right.

Senator BALL. Who were the lawyers?

Mr. CORCORAN. Fitzgerald, Stapleton & Mahon, in New York.

Senator BALL. And they were attorneys for the syndicate?

Mr. CORCORAN. Yes, sir.

Senator BALL. What was your fee on that?

Mr. CORCORAN. To date, on that I have had \$65,000.

Senator BALL. And for that, what did you do for this firm of lawyers?

Mr. CORCORAN. I have done nothing for this firm of lawyers. I had known them for a long, long while.

Senator BALL. I mean for that fee of \$65,000; what services did you render?

Mr. CORCORAN. For that fee of \$65,000 we started from scratch to organize this enterprise as a private venture after the application to organize it as a public venture had failed. I worked in the entire operation from the beginning of acquiring the patents right straight down through. It was the kind of organization work I used to do for a Wall Street banking house when there were enterprises and Wall Street banking houses 15 years ago.

Senator BALL. Then you weren't concerned only with negotiating this loan?

Mr. CORCORAN. Oh, no; the loan wasn't hard to negotiate, Senator, because the loan was too well collateralized to be hard to negotiate.

Senator BALL. But they had been turned down once before by the Emergency Plant Corporation.

Mr. CORCORAN. No.

Senator BALL. I thought I read that in your statement.

Mr. CORCORAN. What I meant was this. They had been turned down going to the Government asking the Government to build a plant for them.

Senator BALL. I see.

Mr. CORCORAN. Which they would manage—that is, a plant which was to be built with Government funds.

The CHAIRMAN. On the same basis as the aluminum plants have been built.

Mr. CORCORAN. That is right.

Senator BALL. Well, these lawyers were hired by the Todd Shipbuilding Co., or by the whole syndicate, this firm that hired you?

Mr. CORCORAN. As I understand the situation, Senator, the syndicate arranged with Todd Shipyards to hire Todd Shipyards' lawyers to be the syndicate's lawyers. My relations were with the Todd Shipyards' lawyers.

Senator BREWSTER. That was the basis of the statement here of the Todd people that they had never employed you.

Mr. CORCORAN. I said they had never employed me with relation to any shipbuilding contract. The only relationship of employment that I have had with them, indirectly or directly, is in connection with the magnesium enterprise.

Senator BREWSTER. That is the basis of their testimony before us, that they had not retained you.

Mr. CORCORAN. That is right.

Senator BALL. When were you retained on this?

Mr. CORCORAN. Very early in January. I should say it wasn't later than January 10.

Senator BALL. Then you are still on it, or when did you finish?

Mr. CORCORAN. No; after the first loan was finished, it was signed about the middle of May, I left the picture.

Senator BALL. Did you have anybody working with you on it?

Mr. CORCORAN. No; I worked, as I testified earlier, in combination with these other law offices. I worked in combination with that office in New York, and there were four or five other lawyers in the

picture, too, lawyers representing the company. There were also lawyers representing the patent interests.

Senator BALL. But I mean for your personal fee of \$65,000, did that represent payment for your personal services or did you have a staff working or partner?

Mr. CORCORAN. No; I used the staff of the other people in New York.

Senator BALL. I see. That is from January to May, approximately, you say.

Mr. CORCORAN. January to May; that is about right.

Senator BALL. You were never retained by Kaiser directly?

Mr. CORCORAN. No.

Senator BALL. There was a story in News Week, I think, about your having presented a bill to Kaiser for \$34,000.

Mr. CORCORAN. I shouldn't interrupt.

Senator BALL. That is all right. That is all I had to say.

Mr. CORCORAN. I saw that story in News Week. I have never had any direct financial relations with Mr. Kaiser.

Senator BALL. Did you represent any of the patent holders on this magnesium process?

Mr. CORCORAN. No; I represented the people who were trying to buy the patents.

Senator BALL. Do you own any stock in this syndicate in Todd Shipbuilding?

Mr. CORCORAN. Not yet.

The CHAIRMAN. Do you expect to?

Mr. CORCORAN. I hope to.

Senator BALL. Your fee is completely paid now?

Mr. CORCORAN. No; I don't think my fee is completely paid. I have left the determination of my fee, as I always do in these cases, to the lawyer who hires me. So far I have been paid \$65,000. I don't know what his negotiations with the syndicate are.

Senator BALL. But you expect more fee?

Mr. CORCORAN. I don't know. I know I had an understanding that there was some stock coming to me. What his understandings are upstairs, I don't know.

Senator BALL. Do you have any approximate amount, or anything?

Mr. CORCORAN. No; that was up to his adjustment.

Senator BALL. Well, your fee is sort of a side fee on this negotiation arrangement for three and a half million in setting up this company. The firm of lawyers which retained you as an associate presumably charged the main fee and then paid you out of their fee, so that your fee is only part of what it cost them.

Mr. CORCORAN. I assume so.

Senator BALL. You don't know what the total fee is?

Mr. CORCORAN. No; I don't.

Senator HATCH. Are you through, Senator Ball?

Senator BALL. Yes.

QUESTION OF PROPRIETY OF FORMER GOVERNMENT EMPLOYEES PRACTICING BEFORE GOVERNMENT DEPARTMENTS

Senator HATCH. Mr. Corcoran, I notice you were employed by the lawyers for the Todd Shipbuilding Co.

Mr. CORCORAN. That is right.

Senator HATCH. And you had said that you had never represented the shipbuilding company in connection with any shipbuilding contracts that they had.

Mr. CORCORAN. That is right.

Senator HATCH. I judge from that—I am not familiar with it—they had had shipbuilding contracts down there, had they?

Mr. CORCORAN. I think that has been testified to before this committee.

Mr. FULTON. Several hundreds of millions.

Senator HATCH. Several hundreds of millions of dollars?

Mr. FULTON. Not connected with this transaction.

Senator HATCH. Not connected with this transaction, so it is perfectly evident that that concern and their lawyers knew their way around Washington pretty well, didn't they?

Mr. CORCORAN. I don't know about their lawyers knowing their way around Washington. I would say the Todd Shipbuilding Corporation had had plenty of contracts.

Senator HATCH. And plenty of experience down here in matters before the Government agencies.

Mr. CORCORAN. That is right.

Senator HATCH. You have also said there were several other firms of lawyers, I think, patent lawyers, and all those.

Mr. CORCORAN. Patent lawyers.

Senator HATCH. And all those. That is a special field in itself, patent law.

Mr. CORCORAN. Yes.

Senator HATCH. You are not a specialist in that field?

Mr. CORCORAN. No; I don't pretend to be a specialist in that field. I pretend to know something about it, but I don't pretend to be a specialist in it.

Senator HATCH. What I am getting at, Mr. Corcoran, is just what you were employed for and why you were paid \$65,000?

Mr. CORCORAN. I was paid, Senator, to work in the way you normally work in the organization of an enterprise in New York, to help put the whole picture together and to be the lawyer who handled the difficult problems arising in putting the thing together.

For instance, we had negotiations on patents; we had very difficult negotiations on clearing the services of the inventor where there were claims of other employment of him.

We had very difficult problems in getting the engineering staff together and working on the contracts whereby the engineering staff was put together.

We had very great difficulties trying to get the collateral cleared in such a way that it could be pledged. These fee contracts that were pledged as collateral had to be reworked in such a way that the British Purchasing Commission would consent to the assignment of the collateral. When the problem of assigning the patents arose, we found very difficult problems of restricted use of the patents which had been written into earlier patent licenses.

All of those problems had to be worked on by somebody who not only could work on them but who could get them organized in time, and I was practically the general assistant to the men who were organizing the enterprise.

The problem was not only legal, the problem was corporate. There were very difficult problems of the interrelations between the syndicate itself. I remember I presented the plan of organization of the whole thing to the Todd Shipyard board of directors.

Senator HATCH. I haven't any question about your ability, Mr. Corcoran, in the services that you rendered. I am sure that you worked hard on the job, as I think you do on all jobs, but I am tremendously interested in the whole problem of former Government officials appearing before departments of Government, and that is the bigger thing. I am not asking about your personal relations, but I want to know the answer to that problem, and may I ask this: Was it because of your connection, your former connections with the Government, that you were receiving these fees?

Mr. CORCORAN. No; it wasn't. I had known this particular law firm, and I had known the people in charge of this shipyard corporation for a very long while. They had known me when I was back in New York previously in an office whose business was the organization of enterprises from the bottom up. In complicated problems of this kind, the job is always much bigger than anybody dreams, and it is also a job in which time is vital, because you have to hold a deal together, and you have a great many people in the situation who will stay together only if you can get something organized within a period of time. The deal will fall apart if you don't get it organized within that period.

It is the kind of business that I had done for the Cotton & Franklin office in New York as a bankers' lawyer for many years. My employers didn't need me for this Government business. As I say, all the principals in this syndicate were very well known to the Government.

Senator HATCH. That is the reason I asked the first question.

Mr. CORCORAN. In this case they dealt personally with Mr. Jones on this loan.

Senator HATCH. But you were present with them?

Mr. CORCORAN. I was present, but they were present, too. I was present to hear the conversation and to reorganize the deal in accordance with what I heard at the conversation.

Senator HATCH. And you tell us that it is your considered judgment that if you had never had any connection with the Government you would still have been retained in this particular manner?

Mr. CORCORAN. When you are saying "if I hadn't had any connection with the Government," what you are saying is "if I hadn't lived for the last 10 years"—that is a very, very difficult question to answer.

Senator HATCH. It is a difficult question.

Mr. CORCORAN. Senator, how can you answer that question?

Senator HATCH. I thought you might have the answer, that you might know the relationship so with these different people that you would know whether or not they were employing you because of your experience and perhaps your influence here with the Government in Washington.

Mr. CORCORAN. No; they may have employed me for experience, but I hardly think they employed me for influence, because, as I say, Senator Hatch, these people who employed me knew the principals in the Government better than I knew them. Each of these principals had done business with the R. F. C. before.

Senator HATCH. They had done business when you were with the R. F. C.?

Mr. CORCORAN. But not with me. In no cases had I been involved in any of the business they had previously done with them.

Senator HATCH. You had had no contact with them?

Mr. CORCORAN. No.

The CHAIRMAN. Senator Brewster?

Senator BREWSTER. What were your duties at R. F. C.?

Mr. CORCORAN. Well, Senator, that is a long—

Senator BREWSTER (interposing). I don't want you to take a great deal of time.

Mr. CORCORAN. That is a long problem. I started in R. F. C. as a counsel.

Senator BREWSTER. I want you to put it succinctly.

Mr. CORCORAN. I started in R. F. C. as counsel away back in 1932 under the Republican administration. As time went on I was used by the R. F. C. for special jobs—the San Francisco bridge was my job; the Chicago school teachers loan was my job; particular jobs, not administrative jobs, in which enormous sums were involved and somebody had to be sent out as a specialist to organize the job, just as in this particular case I was sent out to organize the job. In the last few years of the R. F. C., when it began to have power to work on utility refundings, I became in a certain sense the expert in that sort of thing. Every one of them was a big job, and every one of them was in substance the kind of an organizing job that I went through in my training in a Wall Street office. That is the kind of job that you would do in private practice. They were organizing jobs. You put a deal together.

Senator BREWSTER. The thing to which I am addressing myself is that there has been a good deal of concern downtown in various departments about the energy with which you pressed the matters with which you were concerned, to the embarrassment of the employees who in many instances had had close relations with you before.

Mr. CORCORAN. In the R. F. C.?

Senator BREWSTER. No; I am speaking of all departments, that you had a capacity which you very well phrased for "driving through," but that your ability in that line was very much accelerated by reason of your previous association and that many of the boys in the departments were very much embarrassed when Mr. Thomas Corcoran called up with the same voice of authority with which they had been familiar for the previous 7 years and said, "I know that you can put this through, you always did it and you can do it now." That is the criticism which I have heard very definitely, so that to the extent that the organizing of which you speak concerned the approval by various Government departments and officials, the approval of your proposals, it seemed to me you occupied a very different position then, let us say, someone who had not had your precise experience.

Mr. CORCORAN. Well, Senator, may I answer that this way. We are talking now specifically about this magnesium situation?

Senator BREWSTER. Well, this applies to all.

Mr. CORCORAN. Let's use it as an instance. There are two Government situations here. There are two contacts with Government departments in which, along with other people, I participated in this loan. One of them was the problem of obtaining this very simple amortization certificate. That took 10 days. The handling of the R. F. C. loan to which you refer, where again I was only one of many people involved, took 6 weeks. I don't think that is driving anything through, particularly when you consider that we were dealing with something that concerns the war.

Senator BREWSTER. I think that in things of the magnitude of which you speak, 6 weeks is very short. We have had an aluminum contract that was still kicking around at the end of 4 months that lacked your precise drive.

Mr. CORCORAN. Do you blame me or do you blame the people who kicked it around for 4 months?

Senator BREWSTER. I am paying a tribute to the wisdom of retaining you.

Mr. CORCORAN. Thank you.

Senator BREWSTER. I shall come to other phases of that subsequently, so I wouldn't go too far.

Mr. CORCORAN. I think, as I said this morning, the problem isn't whether I work faster than other people; the problem is what the end result is, whether this loan is a good loan or a bad loan; if it is a bad loan, whether it is a bad loan because of the speed, the comparative speed with which you say it was put through. It was 6 weeks putting the loan through, and the R. F. C. has quadrupled the loan since. I think, unless something happens to change the prima facie assumption from those facts, that it was a good loan, and therefore, if, to use your own phrase, my presence accelerated things, it was all to the good.

One of the interesting things about this magnesium plant is that it was the first plant under the whole new development of this new light-metal program to get into operation. It was the only new plant with a new process which may cut the price in half to get into operation. If I have sinned by getting a plant into operation under the defense program earlier than other people could get it into operation, it is a sin I am very proud of.

Senator BALL. You got pretty well paid for it, too.

Mr. CORCORAN. That goes with it.

Senator BREWSTER. As I understand it, your feeling is that you have been continuing to render a patriotic service for the Government as you did when you were employed by the Government.

Mr. CORCORAN. I would have to leave that judgment to other people. No man can judge himself on that.

Senator BREWSTER. I understood you were rather justifying your activities on the ground that they had been profitable and advantageous to the Government rather than to your clients.

Mr. CORCORAN. I think I can truly say that no operation I have been engaged in has been disadvantageous to the Government. I don't want to talk about achievement, but I should think from what you have said that if I accelerated the putting of this plant into operation, that possibly I was patriotic in this particular relationship with the Government.

Senator BREWSTER. Yes, yes. The problem of retaining former Government employees as expeditors is an aspect of the situation which does not seem to concern you.

Mr. CORCORAN. Again, I say, if I may, that I think the problem is whether the expedition was a good thing or a bad thing if I were employed as an expeditor. You know, as members of this committee, what the magnesium situation was like back in last January. You know it was one of the most critical shortages you had, and that by action largely taken as the result of the exposure of the situation by this committee, there has been an attempt to increase enormously the production of magnesium. I think this particular operation has been proved to be one of the best to satisfy this need, and, as I say, I have confidence in the commercial wisdom of the R. F. C. and of Mr. Jones, and when this loan with which you say you think I might not have been connected or ought not have been connected is quadrupled within the course of only a few months, then I can't feel ashamed of myself.

Senator HATCH. May I interrupt right there? I started to a while ago.

Mr. CORCORAN. Yes, sir.

Senator HATCH. The fact of the loan doesn't mean that the original investment is good by any means. I have seen bankers make a poor loan and get so much money involved that they have to keep putting money in to save their first investment. I don't mean to insinuate that.

Mr. CORCORAN. You mean Mr. Jones has made a poor investment and is throwing good money after bad?

Senator HATCH. I say it very frequently is done. Just because the loan was quadrupled doesn't mean the investment in the first place was a good one.

Mr. CORCORAN. In this case, Senator Hatch, there were two looks at the investment. It was first doubled and later quadrupled, so at least the purchaser had two chances to look at throwing his good money after his bad money. Further, I understand, Senator, and because I am not sure of my facts on this I am quoting them to you tentatively, that in the short period of 10 months from this first loan of three and a half million to date, nearly two million out of the original four million eight has already been realized from the collateral and applied against the loan. I may be wrong.

Senator HATCH. I hope that is correct.

Mr. CORCORAN. In that case it was a very good loan.

Senator BRIDGES. Mr. Corcoran, you are sort of judged by your own testimony here today, a sort of lawyer's lawyer. Is that right?

Mr. CORCORAN. I would leave that characterization to you, Senator.

Senator BRIDGES. I mean by that, in the cases I have heard you describe you haven't appeared for the client directly: what you have appeared for is the lawyer in each instance. What I am getting at is, is that just a coincidence, or is that a plan of operation on your part?

Mr. CORCORAN. I don't think inductively the assumption of facts will hold up. In some cases I have appeared for the client; in other cases I haven't appeared for the client. It has been a mixed situation, and, therefore, I can't fall in either category.

Senator BRIDGES. Let me ask you, do you believe that if you hadn't occupied the position close to the throne that you have occupied in the last few years, that you would have been retained by these various firms and received \$65,000 fees and a promise of stock?

Mr. CORCORAN. First of all, may I enter a denial of any assumptions that I was ever close to any throne.

Taking that out of the question, I think that it may have occurred to those who employed me that they were employing me for experience. I have been very lucky in life. After I left the law school I was Justice Holmes' secretary. For 5 years after that I was junior to the man who I am sure was the ablest corporation lawyer ever produced in New York; he was Mr. Cotton, who died down here—he was the Under Secretary of State—trying to prevent the invasion of Manchukuo. Then I was Eugene Meyer's junior; I was Mr. Harvey Couch's junior; I was Mr. Jesse Jones' junior; Mr. Stanley Reed's junior. It has been really a very lucky experience that I have had in the last 15 years, and it is entirely possible that the accumulation of that experience in which I have had purely educational opportunities not offered to other men may have been the inducement to hire me for my experience.

Senator BRIDGES. If that conclusion of yours is correct, may I ask you what percentage of your business has been either directly or indirectly connected with the Government?

Mr. CORCORAN. That is a very hard question to answer. When you say indirectly connected with the Government, it is almost impossible that any business of any magnitude today isn't somehow connected with the Government.

Senator BRIDGES. Well, the particular case for which you were employed had direct or indirect connection with some Government agencies?

Mr. CORCORAN. I don't know, because I don't know of any way to apportion what has direct relation to the Government and what hasn't direct relation to the Government, for instance. If I should say to you that I worked on the reorganization of a corporation which, as an incident of that organization, had some antitrust operations to get rid of certain contracts, I don't know what proportion of that sort of thing I allocate to Government and allocate to out of Government.

Senator BRIDGES. You have certain Government connections. May I ask you this question, Mr. Corcoran? Can you think of a single instance since you have taken up the practice of law early in January where you have had a case where you collected a fee from a client or from lawyers representing a client that wasn't directly or indirectly connected with the Government?

Mr. CORCORAN. Yes, Senator. I don't choose to disclose my clients—

Senator BRIDGES. I don't want you to.

Mr. CORCORAN. But I have had, even, Senator, the tender problems of domestic relations.

Senator BRIDGES. Your fees are slightly smaller on that, I presume?

Mr. CORCORAN. Senator, don't ask me that question.

Senator HATCH. Seriously, Mr. Corcoran, I think what the Senator is getting at is a perfectly proper question. Are your fees in connec-

tion with matters where you appear before agencies of the Government materially larger than those in the private practice of law?

Mr. CORCORAN. No.

Senator HATCH. Is that what you were getting at?

Senator BRIDGES. Yes.

Mr. CORCORAN. You see, Senator, I am in the same position that you are in as a lawyer. There are some cases completely unrelated to the Government. There are other situations which do have connections with the Government in which I simply charge nothing; there has been a great deal of that; you have done that as a lawyer many times. There are other cases where the net result is that other people perfectly legitimately make large sums of money as a result of their own risk and their own daring and their own commercial judgment, with some contribution from the experience which I am able to contribute out of that history that I have related to you. There I feel perfectly justified, after agreement with them in which they feel that I am justified, in charging substantial fees. I can say I have never charged a fee to a client that he didn't think was a fair amount to pay.

Now, don't ask me whom I married and divorced, please.

Senator CONNALLY. Mr. Corcoran, as I understand your testimony, you say in this particular case you organized this corporation, this private corporation?

Mr. CORCORAN. I worked in the organization of this private corporation.

Senator CONNALLY. Private corporation.

Mr. CORCORAN. Yes, sir.

Senator CONNALLY. Did the Government furnish any money to build the plant or did they simply get a contract later on?

Mr. CORCORAN. No; the company put up collateral, four million eight collateral, and the Government, the R. F. C., lent them three million and a half on a construction fund loan drawn down as the construction proceeded to build the plant. Then the Government, the R. F. C., was so satisfied with what had happened, as I testified probably when you were out of the room, that the loan was doubled and later quadrupled, long after I had left the situation.

Senator CONNALLY. I am only concerned with what you did.

Mr. CORCORAN. Yes, sir.

Senator CONNALLY. You had nothing to do with getting the contract by the Government to buy the magnesium?

Mr. CORCORAN. No; I didn't, Senator. When I left the situation, there was no contract to buy magnesium.

Senator CONNALLY. So far as you are concerned, then, you had nothing to do with selling the product to the Government?

Mr. CORCORAN. That is right; you are correct, Senator.

Senator CONNALLY. Now, a good deal has been said about Government employees, former Government employees, practicing before the departments. According to my view, it is not so much as to what they have been in the past; it is the character of the service or the character of what they do. I don't see any more harm in a former Government employee if he acts properly and ethically appearing before Government departments than in a national committeeman from some State, maybe not a lawyer at all, telling them where to head in.

The CHAIRMAN. Didn't the President make a ruling that the national committeemen shouldn't practice before the departments?

Senator CONNALLY. I don't know whether he did or not, but I don't see what authority the President would have to make any such ruling.

The CHAIRMAN. I think he did.

Senator CONNALLY. Influence is improper anywhere, whether it is a former employee or one who wants to be a Government employee or official.

Mr. CORCORAN. I completely agree with you. I think, as I have said in other conversations with Senator Hatch before, and the Senator and I had a great many discussions about the Hatch bill, the first Hatch bill——

Senator HATCH. Yes.

Mr. CORCORAN. And you will admit that I respected that act to the pin point in leaving the service of the Government that I might not in the slightest cross that legislation. Senator Hatch has said to me you can't legislate integrity and honor and judgment into a situation. I think that on the subject we are talking about it depends completely on what the former Government servant does. If he is cognizant of what may honorably be expected of him he won't do anything that is wrong, and, as a matter of fact, he will enormously help the problem of Government by making it clear to his private client what the Government likes and what the Government doesn't like.

Senator CONNALLY. Let me ask you this question. Wouldn't a high-class, ethical lawyer, instead of presuming to have influence with former associates, if he had a proper standing, professional standing, rather shun it? He would hesitate to approach somebody with whom he had been associated with the assumption that he could influence his actions.

Mr. CORCORAN. Senator, I think you are right, and I think you will find—I didn't want to talk about this because it might seem to be——

Senator CONNALLY (interposing). I am not making this personal to you, but I am talking generally.

Mr. CORCORAN. That is true, Senator.

Senator CONNALLY. When I used to practice law we had certain standards of ethics that made us lean back rather than run after somebody.

Mr. CORCORAN. That is why, Senator, if the subject——

Senator CONNALLY (interposing). The point I am making is, after all, that it is the individual, it is up to him as to whether he is going to be a crook or a high-class, straight lawyer. Isn't that true?

Mr. CORCORAN. That is right, Senator. For instance, there are certain departments of this Government with the organization of which I had something to do in the course of the legislation of the last few years, in which many people would expect to find me if I didn't have a sense of responsibility about those things. The things I have worked on have been hard things; they haven't been easy things, and they have been hard things because I have felt, as you have felt, that I should be very careful in my relationships with people whom I had known.

Senator CONNALLY. May I illustrate what I had in mind by an incident that happened to me about 3 months ago. In a certain Federal district of Texas a man was under indictment. A lawyer breezed up here, you know, to see me about this case. He said, "Senator, this boy oughtn't to be prosecuted. He's a good fellow. He has a wife

and three children. What he did was, he was maybe drunk when he did it."

I said, "You ought to beat the case."

He said, "We can't beat the case. They have the goods on us." He said, "Senator, you recommended the appointment of the district attorney down there, and all you have got to do is call him up and tell him you want this case dismissed and it will be dismissed." But did I do that? I told him to get out of my office. The very fact that I recommended the district attorney for appointment means he would be the last man I would ever speak to. I wouldn't any more take up a case with him and ask him to dismiss it or do anything about it than I would fly. That ought to be, in a measure, the attitude of a Government official, at least with subordinates that he has had, if he had any, in approaching them later to use his influence to try to get business or to try to get a ruling. Is that your view?

MR. CORCORAN. I completely agree with your view, Senator.

SENATOR CONNALLY. Has your conduct been along those lines?

MR. CORCORAN. I believe so, Senator.

SENATOR HATCH. May I make an observation? Mr. Corcoran, you did correctly state our previous conversations, and I know you did, just to a pin point, so far as my information goes, comply with the law with which I had something to do. I have said in this committee just recently that you can't legislate integrity and honor into people; you can't do that. But we don't make laws for the high-minded, ethical, and the pure. The laws against murder are not made to convict or try the man who does not commit murder. They have to be passed because of the minority, the few who do take advantage of situations, and do not act in that high-class, ethical manner in which Senator Connally acted, and so far as I know you have acted, Mr. Corcoran. Again, I say this isn't personal at all. This is the broader question that I am talking about. And I know this—now I may get personal—I am quite sure, we will say, that you were using that extra degree of care and caution in all your dealings with former associates and being just as ethical as it is possible for a man to be, but you have occupied a very high and responsible position in government, an unusual position, and I know a lot of these contractors, a lot of people who are seeking to take advantage of the present situation to make money for themselves, are dishonest: I don't say they have done it, but the danger is that a man of that type would say, "Here is this former high Government official in private practice. I will go hire him and get his influence," and see whether he gets it or not. That thing goes out to the country, whether there is anything wrong or not, and people are always prone to believe the worst of all of us who have had anything to do with public life. That is the thing I am getting at more than anything else. I don't think there has been so much wrongdoing. I rather think you would agree with me. If we went out here somewhere and sat down we might work out all our sorrows.

MR. CORCORAN. It is because I completely agree with you that I have been so careful in this statement to list every single thing where it might even be suspected that some contractor had approached me. I have turned away hundreds and hundreds of them. One of the devices for accomplishing that was not having an easily ascertainable office, because they always come well recommended. I have carefully

gone into the details of everything that might be within a hundred miles of that sort of thing in this statement, and laid it inductively before you.

As to the passage of a law, it isn't a matter which I feel affects me personally because I have so many fields in which I can find an outlet for energy that I don't feel locked up by any law. But I do hope that in considering legislation you will remember one thing, and this doesn't, as I say, apply to me. We are going into a very curious period in which everything sooner or later will circulate around the Government. Some of the forms of a restrictive statute which you have heard suggested would mean that today any man who for patriotic reasons went into the Government service would find himself, if he ever tried to leave the service later on, practically unable to make a livelihood. You take even the situation of your own counsel who is connected with this committee and who has no relationship to Government departments, and yet he has been employed by the Government. I certainly shouldn't think you would want the kind of a restrictive statute that would make it impossible for him, your counsel, who has been one of the most outstanding district attorneys in the country (and a man only learns how to be a district attorney in the Government service) for an indefinite period or even a long, fixed period after that service never to be able to appear before the Department of Justice to defend anybody. I mean it is a matter, Senator, in which you have got to be very careful or you will throw out the baby with the bath.

Senator HATCH. I realize that full well. It could be carried to this extreme, more than any you have given. In one particular form of bill, which I haven't seen, but it has been suggested, if it were adopted might even prevent a draftee in the service, who is an employee of the Government in a sense, from securing a position after his period of service in the Army is over. Of course, that would be ridiculous. We do want whatever legislation we enact to be sane legislation and not unreasonable. But it does seem to me the fact is proved by all the regulations and rules and laws which have heretofore been passed. Senator Brewster has a compilation of them here in the various departments where these regulations are in force right now, many of them very stringent ones.

Mr. CORCORAN. There is a very intelligent regulation in the Treasury Department.

Senator HATCH. There is one in the Treasury Department right before me here now. There is one in the Labor Department, which has recently been enacted, I think, or was that the National Labor Relations Board. In fact, I guess there are a dozen of the departments that already have these rules in effect. But they don't relate to all. That is the trouble. A man in the Treasury Department might be very influential in connection with other departments. He could drop out of the Treasury Department and immediately pick up his practice before some other department, using that influence he had gained in the Treasury Department. I don't know whether that is good or not. I think there ought to be some general provision.

Mr. CORCORAN. I think—and it is only a very curbstone opinion—that you will find great difficulty if you go beyond limiting the relationship simply to a department with which people have been pre-

viously connected. It is going to create a situation in which you may go so far that you will make it very, very difficult for people either to stay in Government or to come into Government, Senator.

Senator HATCH. I realize the difficulties in that legislation. I suppose we are getting beside the point of your testimony now that you were covering, but it is involved, and that is a subject that I am interested in, and I think it is one that ought to concern us all.

Senator BREWSTER. As I understand from your colloquy with the Senator from Texas you do recognize the impropriety, and you have been scrupulously careful not to approach, in connection with your dealings with the Government, either departments or officials with whom you had previously been concerned. Is that correct?

Mr. CORCORAN. Senator, there is always a very difficult balance between relationships with people with whom you were previously concerned—

Senator BREWSTER (interposing). Can't you address yourself to my question?

Mr. CORCORAN. And, Senator, as a lawyer you will realize there come times when, in fairness to your client, you can't help talking to such people.

Senator BREWSTER. You intimated to Senator Hatch just now that it might be well to restrict the rule to departments with which you had been previously associated.

Mr. CORCORAN. That is right.

Senator BREWSTER. The particular case with which we are concerned, of course, involved an R. F. C. loan—by whom you have been employed for 7 years—so that in that instance you were clearly going against what you might recognize as a wise rule.

Mr. CORCORAN. I think, as I answered Senator Hatch that I told him I thought the wise rule was really the Treasury rule; and the Treasury rule, which has been in force for a great many years, particularly relating to all this business about taxation and the securing of tax refunds, very carefully provides that no one can participate in a situation in which he was involved while he was in the Treasury.

Senator BREWSTER. Could you name any department of the Government with which you had not had rather intimate connection in the past 8 years?

Mr. CORCORAN. I don't know what you mean by "intimate" dealings, and this is a very big Government.

Senator BREWSTER. Well, weren't you rather the arm of the President?

Mr. CORCORAN. Thank you for the compliment. I can't answer that.

Senator BREWSTER. I think it is a perfectly fair statement. Your duties, I think, for 7 years have gone far outside the bounds of the R. F. C. I think you don't need to be so modest as to intimate that they have not been widely recognized. You touched all the departments. Your young men were in practically every one of the departments of the Government—your protégés, let us say, and they are still there. So that you have the nerve centers of the Government instantly at your finger tips. You took them with you when you left the Government employ, and I think it contributes very greatly to your value in private practice. I am sure any young man would be happy to approach the Government with your knowledge and background and prestige. You recognize that, do you not?

Mr. CORCORAN. I have been very, very careful insofar as I possibly could, consistent with the relationships to my clients and what I owed them, that is, in fairness to them and their relations to the Government, to stay as far away as possible from people with whom I might be here felt to have intimate relations.

Senator BREWSTER. You are familiar with the various rules and the statutes in the case of certain departments, evidently, applicable in several departments—I think six or seven departments—a 2-year rule, during which time you shouldn't be associated after you have left that service.

Mr. Chairman, if this may be put in, I think it is quite carefully compiled, and I think it is really of extreme value in showing what is the practice in the Government at this time. I don't think there is any such rule in the R. F. C., is there?

Mr. CORCORAN. I don't think so, Senator.

The CHAIRMAN. This document will be placed in the record at this point, and these four letters will be placed in the record at the place where they were asked to be introduced.

(The document referred to was marked "Exhibit No. 345" and is included in the appendix on p. 4236.)

Senator CONNALLY. I would like to ask a question if Senator Brewster is through. Senator Brewster made some very wide statements about the propriety of a former Government employee practicing before departments. Mr. Justice Hughes was rather highly regarded in the United States as a lawyer.

Mr. CORCORAN. There was no higher regard paid any lawyer in the United States than Mr. Justice Hughes.

Senator CONNALLY. You recall, though, that in 1920 when the Republicans were hard put to get a candidate, they induced Mr. Hughes to resign from the Supreme Court and run for President of the United States.

Mr. CORCORAN. I remember, Senator.

The CHAIRMAN. 1916.

Senator CONNALLY. 1916; yes. And do you remember that after he got off the Supreme Court, he was before that Court in practically every big, momentous case?

Mr. CORCORAN. I remember, when I was secretary to Justice Holmes, I used to go down to hear Hughes and Davis¹ argue. It was one of the great shows of the time.

Senator CONNALLY. John Davis had been Solicitor General, intimately associated with the Supreme Court. He quit. And then when Judge Hughes quit, as you say, they conducted a feud over there every time they had a case before the Supreme Court. Do you suppose that anybody could have employed Judge Hughes with the idea that he had some influence with his associates?

Mr. CORCORAN. No. They may have employed him with the idea that his associates had respect for his judgment.

Senator CONNALLY. Anyway, he appeared in a great many cases. I heard it stated over there that even in one case where he had associate counsel (they always, or pretty often at least, let him do the arguing), this counsel had to sit there with the brief in his hand

¹ John W. Davis, of Davis, Polk, Wardwell, Gardiner & Reed, New York City, Democratic nominee for the Presidency in 1924.

to tell him what to argue, because he had so many cases he didn't understand the case.

I have high regard for Judge Hughes, but in casting about, I would suggest to the Senator from Maine that he think about Judge Hughes awhile, take a large snuff of Judge Hughes' tobacco and put it in his pipe and smoke it.

That happened with regard to Judge Hughes. I think he made a great judge, he was afterward appointed Chief Justice of the Supreme Court, but those are facts. I have heard him make a good many of those arguments, and they were good ones, too. I remember he represented Mr. Newberry, of Michigan, and got him out from prosecution before the Supreme Court of the United States—while he was off the bench, of course.

Senator BREWSTER. I attempted, I might say, to confine myself rather precisely to what are the existing laws and regulations governing the practice before Government departments. Those had been in effect for from 5 to 10 years under the present regime, in whose wisdom I am sure the Senator from Texas will fully concur, and the fact that those regulations and laws prevail and that their extension is seriously considered to other departments seems to me extremely pertinent in the current case; and I gathered that your colloquy with Mr. Corcoran addressed itself to the same considerations. Whether or not Justice Hughes is an analogy, I think even Mr. Corcoran modestly would hesitate to claim.

Senator CONNALLY. I don't think Mr. Corcoran has any monopoly on modesty.

You didn't represent the Passamaquoddy loan on the R. F. C., did you?

Mr. CORCORAN. I was just remotely connected with those negotiations, but they never eventuated, Senator.

Senator CONNALLY. They never eventuated.

Senator BREWSTER. We got seven and a half million, Mr. Senator.

Senator CONNALLY. Well, they didn't get as much as they wanted.

Mr. CORCORAN. That was after I was out, Senator.

Senator BREWSTER. By request.

The CHAIRMAN. Senator Ball, did you have a question?

Senator CONNALLY. I am not through.

The CHAIRMAN. I beg your pardon, Senator.

Senator CONNALLY. Now, the Senator from Maine, Mr. Brewster, said he supposed he had my agreement. He does have my agreement that any lawyer, whether we have a law or whether we haven't, ought not, of course, to go to the department in connection with any matter that he has had any contact with while a Government officer any more than a judge should resign off the bench and take the case of a litigant pending before him. So far, though, as just saying a Government employee, because he has been a Government employee, shall not practice before any court or any Government activities, I don't see why you shouldn't just chloroform the former employees or devitalize them or do something to them, because a lawyer without a case or without a client, isn't going to do very much work very profitably.

I think whatever legislation you have, you ought to keep it within the proper bounds, and a crooked lawyer is going to be crooked

whether you have any law or not, and he is usually smart enough that nobody is going to catch him. An honest and straight lawyer is going to be straight, law or no law. Isn't that true?

Mr. CORCORAN. Senator, do you remember that in our Northern States all law partnerships are normally constituted of a Republican and a Democrat?

Senator CONNALLY. I don't know that I understand that theory—

Senator HATCH (interposing). I want a little explanation of that.

The CHAIRMAN. Let's have order.

Senator CONNALLY. You startled me this morning by the size of some of these fees. During the depression down in my State, two of my Texas lawyers met on the street one day. One of them said, "How is your firm getting along?"

"Oh," the other said, "we are doing pretty well. We collected three \$5 fees this week and several small ones."

I believe that is all.

Senator HATCH. I don't want to let this pass without making the observation that I think the practice of law in the courts of the land, where everything is right out in the open and your adversary is present and the judge is sitting up on the bench, is altogether different from appearing before these departments down here, most of the time, in an ex parte manner, sitting down across the desk and talking to the administrator, who may have been your employee. I don't think the analogy to Justice Hughes' practice fits these departments at all, Senator Connally.

Senator CONNALLY. That is perfectly all right with me.

The CHAIRMAN. Senator Ball, do you have a question?

Senator BALL. Mr. Corcoran, I noted in your statement that this original loan of three and a half million was committed at least on February 21, that it was doubled then or increased by five and three-quarter millions on June 30. You told me you worked until about May on that case.

Mr. CORCORAN. That is right.

Senator BALL. Were the negotiations for the increase under way while you were there?

Mr. CORCORAN. The necessary negotiations for the original loan carried what Senator Brewster and I were taught to call an illusory promise, that if the R. F. C. thought the venture was a good venture in its own judgment, the people could plan for the second loan, but there was no commitment of the R. F. C. The idea was there, but they waited to see how the first loan came out before they applied the procedure for the second one.

Senator BALL. You didn't participate, then, in any of the negotiations for the second one except that the idea was included in the original?

Mr. CORCORAN. That is right.

Senator BALL. I notice you make quite a point of your statement that this fee of yours is not paid out of this loan or otherwise out of Government funds. Of course, technically, they wouldn't take money out of the loan, but, as a matter of fact, won't all the magnesium they produce at this plant wind up eventually in defense goods?

Mr. CORCORAN. I was very carefully paid not out of this plant at all. The borrower in this case was a completely separate corporation, with assets of its own. It was a California shipbuilding company. It wasn't the Todd Shipyard Corporation at all.

Senator BALL. I don't get that. You mean the Todd Shipyards paid your fee, but had nothing to do with the—

Mr. CORCORAN (interposing). The Todd Shipyards was a stockholder, along with many other syndicate members, in a subsidiary corporation whose assets, of course, and whose liabilities were completely separated from Todd—Pacific coast shipbuilding corporation—and it was the assets of that corporation and the obligations to that corporation that were pledged to the loan.

Senator BALL. Yes; but in the long run, Todd is going to pay your fee out of what it gets out of this venture.

Mr. CORCORAN. No; it pays my fee out of its general assets, Senator.

Senator BALL. That is just a technical—

Mr. CORCORAN (interposing). Let me make it clear. Each one of these shipyard corporations is separately organized. Each one of them has its own separate corporation, its own separate contracts, its own separate capital, and its own separate obligations. The only relation of Todd Shipyards to it is that if there are dividends some day, after all obligations have been met and all loans to the Government repaid, what equity there is over such obligations in the operating funds is available for the declarations of dividends to the parent corporations. This Todd California corporation is owned by seven other corporations—a syndicate.

Senator BALL. Yes; but no corporation ever pays out \$65,000 without expecting to get something back.

Mr. CORCORAN. What Todd Shipyards hopes and what the syndicate hopes, Senator, is that this magnesium operation will be a very profitable enterprise, not because of any contracts it has with the Government, but because it has been smart enough to get the right process and to get a commanding position in the market.

Senator BALL. You mentioned Todd Shipyards before. Is this particular case your only connection with them?

Mr. CORCORAN. That is right.

Senator BALL. Have you represented them on any others?

Mr. CORCORAN. No; this is my only relationship with Todd.

Senator BALL. This is the one you referred to in your statement?

Mr. CORCORAN. That is right.

The CHAIRMAN. Any other questions, gentlemen?

Proceed to the next item, Mr. Corcoran.

Mr. CORCORAN. The next item, Senator, is one which is a long while in telling, but in which I acted merely in a friendly capacity to a friend and took no fee at all. Do you want to go through it?

The CHAIRMAN. I would rather you would proceed in order and just take this brief as it is, so these gentlemen can ask any questions they desire.

Senator CONNALLY. Are you going on tomorrow, or are you going to conclude today?

The CHAIRMAN. We are going on tomorrow, but we are trying to get through with this witness this evening, and Mr. West will be the witness tomorrow.

Senator CONNALLY. He got no fee. I don't know about this, but

why not let him jump over to China Defense Supplies and come back to this. There is a small fee in connection with that.

The CHAIRMAN. That is all right. We will come back to that later.

CONNECTION OF THOMAS G. CORCORAN WITH CHINA DEFENSE SUPPLIES, INC.

Mr. CORCORAN. Early this year I was asked to do certain work for the Chinese Government. Since then I have spent considerable time and energy in assisting the representatives of China in this country to forward China's heroic struggle to defeat Japan. In spite of its great shortage of defense materials, China has been fighting the far-eastern partner of the Axis dictators for 4½ years.

When the United States passed the Lend-Lease Act, it decided to assist China's battle for the democracies by sending supplies to the Chinese Army. These lend-lease supplies are all purchased directly by the various procuring agencies of the United States Government such as the Army and the Treasury and not by the Chinese.

My work for China consisted in the adjustment of relations between certain American corporations in the Far East, of advice as to the selection of American personnel, and the appropriate organization of China's business under the Lend-Lease Act. In this connection I assisted in the corporate organization of the corporation known as the China Defense Supplies, Inc., which supervises all lend-lease arrangements for China.

My total compensation for this work was \$5,000, which I received early last spring. This did not come directly or indirectly from any funds of the United States.

The CHAIRMAN. Questions?

Senator CONNALLY. No; I haven't any questions.

Senator HERRING. No.

Senator BALL. No.

Senator HATCH. None.

Senator BREWSTER. With whom does the China Defense Supplies, Inc., deal?

Mr. CORCORAN. They deal with the various procuring agencies of the United States Government, such as the Army and the Treasury. All their supplies are bought by the Treasury and by the Army. The only reason I have included this is that there has been a good deal of whispering that somehow I must be getting a \$5,000,000 cut on supplies going to China. I have never received a cent. There is no way to profit on the purchase of these supplies. They are bought directly by the Army and Navy and then shipped direct.

Senator BREWSTER. And where did China Defense Supplies, Inc., get their capital?

Mr. CORCORAN. It was supplied, as I understand it, from Chinese sources. It is a very small capital, Senator. It is a Delaware corporation.

Now shall we go to the Havenstrite matter?

The CHAIRMAN. Yes. Proceed.

CONNECTION OF THOMAS G. CORCORAN WITH HAVENSTRITE OIL WELL IN ALASKA

Mr. CORCORAN. The so-called *Havenstrite case* is a case in which it has been alleged that I "influenced" Secretary Ickes to make an unsuccessful attempt to "influence" Secretary Knox to take some undefined action against the public interest in relation to an oil well in Alaska. Many variations of the original story have been circulated,

but all agree that it was a matter in which I asked and received no fee of any kind.

I should like to submit to the committee for incorporation in the record, first, this examination of Secretary Ickes before the Subcommittee on the Interior Department of the Committee on Appropriations of the House on April 23; second, a public letter from Secretary Ickes to the editor of the newspaper originating this Havenstrite story, dated May 6, 1941; and an editorial from the same paper, dated May 2, 1941, hereinafter quoted in full.

The CHAIRMAN. Was that the St. Louis Post-Dispatch?

Mr. CORCORAN. That was the Post-Dispatch in which the story originally appeared and which retracted the story in this editorial, copy of which I should like to put in the record.

In his letter Secretary Ickes states that the responsible chief of the paper originating the story admitted to the Secretary that "he was trying to get a story on Tom Corcoran."

The CHAIRMAN. They will be inserted in the record at this point.

(The documents referred to were marked "Exhibits Nos. 346 to 348." Exhibit No. 348 appears in full in the text on p. 3920. Exhibits Nos. 346 and 347 are included in the appendix on pp. 4238, 4243.)

Mr. CORCORAN. This situation is understandable only in relation to the magnesium enterprise which I have just discussed.

Havenstrite was the brother-in-law of the chief Washington engineering representative of the magnesium syndicate. For some months I worked with this engineer in very close personal and friendly relations. As we were working together, the engineer occasionally criticized Washington for what he termed a "run-around" which the Government was giving his brother-in-law. And I still felt a certain loyalty to the Government, and that sort of thing hurt me.

Havenstrite, a Californian, a successful independent oilman in the United States proper, had for some years been experimenting on the side with a well in Alaska on which he was planning to suspend drilling during 1941. He had come to Washington early in the year to attend to some legal details in connection with oil leases granted him during the Hoover administration. He had thereupon been urged both by the Alaskan Director of the Geological Survey and by the admiral in charge of oil reserves in the Navy not to discontinue his own drilling because the production of oil in Alaska, saving long tanker hauls from California under war conditions, would be important to national defense. The reasons given were that (a) all other competent organizations had already suspended drilling; (b) only an organization already on the ground could complete drilling within what was left of the short Alaska season; (c) the Havenstrite location, although completely upon private Interior leases and hundreds of miles from the Navy's oil reserves, was close to the Navy's operating bases in Alaska; and (d) the Havenstrite operation was the only practical prospect of getting petroleum production in Alaska in 1941.

May I put in the record a map of the location in close proximity to the Kodiak base?

The CHAIRMAN. That will be made an exhibit.

(The map referred to was marked "Exhibit No. 349" and is on file with the committee.)

MR. CORCORAN. Havenstrite did not feel that he wanted to invest new capital for the entire costs of continuing his venture, but it was suggested that the Government might be able to assist him as a part of the defense program. Havenstrite's complaint was that the Government had kept him waiting in Washington for weeks on end without giving him a decisive answer as to whether it would help him or would not help him, whether it wanted him to drill or not to drill. He preferred to live in California.

With this story, which checked up later, Havenstrite came to me late in April through my friend, his brother-in-law, not as a client, but as a friend. Such talk as we had about fees was only my friendly warning to him that he could not expect me (as many did expect me) to follow up a gesture of friendship with free legal work.

I first saw Secretary Ickes alone to tell him of Havenstrite's problem and that I thought it was only fair that Havenstrite have a decision one way or the other.

In that conversation, I pointed out:

(a) If all the vague talk about Government help to Havenstrite were brought down to earth, the only legally feasible chance to help him was the very small chance that he could get an emergency-facilities contract or a defense-plant contract with the approval of the National Defense Council.

(b) If a problem so apparently local and specialized as oil in Alaska came without preparation to the National Defense Council, it would certainly be referred back to the Interior and the Navy for advice, all of which routing around would take a great deal of red-tape time; in fairness to Havenstrite who had been waiting for weeks, and in recognition of the short Alaska summer which waited for no one, that delay should be avoided if possible by preconsideration by the Interior.

(c) In fairness to the Secretary, I pointed out that his Department would certainly be faced with two responsibilities: (1) A judgment by the Geological Survey on the chances that the drilling would be successful; (2) a retrading upward of the Interior's royalties if, with Government financial help, Havenstrite made money in the operation.

The Secretary agreed with my analysis and that Havenstrite ought to have a decision; saw Havenstrite and myself together, heard Havenstrite's story directly, and called Secretary Knox to say that Secretary Ickes thought Secretary Knox should talk to Havenstrite.

Pursuant to this introduction, Havenstrite and I went to see Secretary Knox, who, during our conference, consulted the admiral with whom Havenstrite had been holding conversations. Secretary Knox then told Havenstrite that he was quite sure that the Navy wanted and would contract for the petroleum products that might be developed by Havenstrite's drilling, but that he would like a letter from the Secretary of the Interior assuming responsibility for the administrative and contractual problems because Interior leased lands—not naval reserves—were involved.

Havenstrite and I attended a large meeting with Secretary Ickes, the Geological Survey chiefs, and Interior counsel, relating to the letter requested to be sent to Secretary Knox. A letter drafted by the Department's lawyers was sent to Secretary Knox as Secretary

Ickes went away on a trip. The letter is set forth in the hearings before the House Appropriations Committee, Subcommittee on the Interior Department, April 23, 1941, and is as follows [reading from Exhibit No. 346]:

SIR: I have given careful consideration to the problems raised by Mr. R. E. Havenstrite's proposal for a Government loan to finance the drilling of a new test well in the Iniskin Peninsula area in Alaska held by him and his associates under oil and gas leases issued by this Department.

Insofar as these problems relate to the advisability of granting a loan, they are not within the jurisdiction of this Department, and it would be inappropriate for me to express any opinion concerning them. I would like to point out, however, that the royalties to the United States in the present leases were fixed at a specially low rate because the lessees were undertaking to explore the oil and gas possibilities of this area at their own risk and expense. Should it be decided to advance Federal funds to finance the operations of these lessees, I believe that the granting of a loan should be conditioned, among things, on an upward revision of the royalty rates fixed in the leases. For this reason I should be kept advised of further developments in this matter and be given an opportunity to suggest what revision ought to be required in order to protect the interest of the United States entrusted to this Department.

The next I knew there was public criticism of the relations between Secretary Knox, Secretary Ickes, and myself in the House Appropriations Committee hearings above referred to and Havenstrite decided that the matter was not worth waiting any longer for, and went back to California.

I neither asked, received, nor expected any compensation of any kind from Havenstrite.

There was much talk at the time that Government drilling by the Navy should be substituted for Havenstrite's private enterprise proposal. Nothing happened about this.

On December 10 the Office of the Petroleum Coordinator for National Defense issued the following statement:

War conditions on the Pacific coast, the Coordinator has been advised, affect tanker movements to the Pacific Northwest.

Washington, Oregon, and Alaska ordinarily are supplied with petroleum products by Pacific coast tanker movement. Oil and gasoline are shipped to the area from California by tank ship.

War conditions have created a problem of petroleum supply for the Pacific Northwest until remedial measures can be put into effect.

It is of utmost importance that we take every possible action to use existing supplies to best advantage. We must obtain additional supplies by other methods and invoke whatever measures may be necessary.

The Havenstrite story originated in the St. Louis Post-Dispatch. It was followed by a retraction in an editorial on May 2, 1941, which I have always considered closed the matter. The editorial read [reading Exhibit No. 348]:

TEAPOT TEMPEST, NOT TEAPOT DOME

The whole story of Secretary Ickes, "Tommy" Corcoran, and that Alaskan oil-well deal has not yet been told, but, so far as the record goes, it seems a tempest in a teapot instead of a new Teapot Dome. The one reprehensible thing seems to be that the record was not at once made as complete as it might have been.

The Post-Dispatch yesterday told how the Democratic majority of a House appropriations subcommittee, in the absence of the Republican minority, struck from the record Mr. Ickes' testimony about an effort of the Iniskin Refining Co. to obtain a Government loan to develop oil wells on a Federal reservation in Alaska, and a contract for sale and storage of the oil, from the Navy Department.

Thomas G. Corcoran, once the President's right-hand man, was counsel for the company. According to Washington reports, he obtained the consideration of Mr. Ickes for the plan, and the Secretary discussed it with Secretary of the Navy Knox.

Now, whatever Mr. Ickes may have told Colonel Knox by word of mouth, he made it clear that the only interest of his department in the proposal was in connection with the royalty rates paid to the Government. "I believe," Secretary Ickes wrote to Colonel Knox, "that the granting of a loan should be conditioned, among other things, on an upward revision of the royalty rates fixed in the leases."

This, apparently, was the fruition of Corcoran's effort on behalf of his client. No doubt, Mr. Corcoran was readily able to get to Mr. Ickes and to other people in Washington. But there is nothing wrong in such a natural advantage so long as it is not used to the public detriment.

Mr. Ickes himself has been one of the most outspoken critics of those who, in his belief, take unfair advantage of previous connections. His zeal for the good name of his department is also well known. His efforts to keep the Department clear of taint have led him to the very verge of espionage.

Whatever else may be said of the Secretary, his integrity as a public servant, his interest in clean government, have never, during a long career, been called in question. In this Alaskan oil matter, he may have shown bad judgment. However, there is so far, no apparent reason for suspecting disregard for his public trust.

The CHAIRMAN. Senator Connally, any questions?

Senator CONNALLY. You got no money, no fee?

Senator HERRING. And got no oil?

Mr. CORCORAN. No.

The CHAIRMAN. Any further questions, Senator Connally?

Senator CONNALLY. No; I am through.

The CHAIRMAN. Senator Ball?

Senator BALL. I would like to go into one or two other matters, Mr. Corcoran. One is this Sterling Products, Inc., that we have read a lot about in this consent decree. You represented Sterling Products, also, during the last year.

Mr. CORCORAN. Senator, that isn't a defense matter. I have certain confidential relations with my clients. Very frankly, if this isn't a matter of the kind that the committee generally is looking into, I would prefer not to go into that matter. I have always made it very clear that I was willing to talk about this with the Judiciary Committee or anyone else, but my own relationships with my clients are such that I would rather not discuss them in connection with Empire Ordnance, Savannah Shipyards, and a lot of other things, because the public might get the impression that there was defense brokerage in Sterling products.

Senator BALL. I think it ties up somewhat because the consent decree dissolved contracts between these drug firms and I. G. Farben, which is the German drug firm, giving certain groups of companies the monopoly in this market and other companies the monopoly on that market.

Mr. CORCORAN. This committee is investigating getting contracts, Senator. Sterling was a case of getting rid of contracts. I am not fudging on you any, but I really would rather not go into business that is not within the defense contract margin, such as these things that I have been talking about. I don't want Sterling mixed with this other kind of transaction.

Senator BALL. It seems to me it ties in with this all-out war we are in, and also it certainly ties in with this question we have been discussing quite a bit here, of practicing before Government departments. If we are to believe the newspaper stories, you had quite a bit to do with the appointment of Mr. Biddle originally, and then had quite a bit to do with him in developing this consent decree.

Mr. CORCORAN. I am being very frank with you, Senator. I have always been perfectly willing to discuss the Sterling case, because, if you don't mind my saying so, I think it was a very far-sighted job. And as I told you before, when I last talked to the chairman of the committee, I had just come back from the completion of the Sterling reorganization, which I think is one of the most brilliant things—not from my point, but from the point of view of the action of the board of directors themselves—that has been done in the defense effort. If you were in Mexico today, Senator, you would find that long before anybody else got on the ground, there was a young American organization, headed by a young fellow named Churchill, that was starting yesterday—today—to carry on a trade war against I. G. Farben, with real prospects of success, in which no one else has ever succeeded.

The only objection I am making is I don't want the Sterling business bracketed with an inquiry about defense brokerage. If there is a complete understanding, I am concerned that the name of Sterling shall not be bracketed in press reports and the rest of it with Charles West and Empire ordnance and all the rest of it. If there is a complete understanding that these are completely separate subjects, I don't mind talking to you about the Sterling case. You understand what my concern is.

The CHAIRMAN. I think the committee will proceed with the program as outlined, and when that is finished, we will ask you to come back and discuss this under another heading.

Mr. CORCORAN. All right. Now, Senators—and Senator Hatch, you are on the Judiciary Committee—

The CHAIRMAN (interposing). That is subject to the approval of the committee.

Mr. CORCORAN. I have never had any hesitation about talking about the Sterling case. Please, Senator Ball, I just simply don't want to mix Sterling with the subject matter of this other discussion. I think I should give to my client the protection that these two things aren't reported together.

The CHAIRMAN. I think this will be a satisfactory arrangement with the committee.

Are there any other questions that any Senator wants to ask?

Mr. CORCORAN. Senator, I will come to you and talk to you about the Sterling case any time, if you want me to.

Senator BALL. That is O. K.

Mr. CORCORAN. Or, Senator Hatch, if you want to talk in the Judiciary Committee about the Sterling case, it is perfectly all right with me.

Senator BALL. Are these four that you have gone over with us the total of your business in relation to defense?

Mr. CORCORAN. Yes. That is everything that comes within the shadowy edge of it, Senator. I think you will agree with me that most of it—all of it, I think—is completely out of the penumbra of the kind of thing that you are looking for, but I realize the importance of my putting down everything that is even within the area of what you have been considering.

Senator BALL. That totals \$100,000 in fees, and I take it that doesn't represent your total business for the year, by any means.

Mr. CORCORAN. No, Senator; it doesn't.

Senator BALL. And you drew what salary from the R. F. C.?

Mr. CORCORAN. In the R. F. C. over the last 10 years \$10,000.

Senator BALL. Where you were doing very much this same type of legal work, setting up companies, checking over organizations.

Mr. CORCORAN. Yes, sir. As I said to you this morning, if you take my contemporaries who stayed in the offices in Wall Street when I came down here to work for \$10,000, and add up the income that they have over 11 years and the income that I have over 11 years, Senator, I am behind the eight ball!

Senator BALL. I doubt whether you would suffer.

Mr. CORCORAN. You see, I made another mistake. I made mine in the eleventh year, and the income tax just on this \$100,000 is \$55,000. I should have made it 4 years ago or 8 years ago, when they made it.

Senator BALL. Seriously, Mr. Corcoran, I would like to ask you one question going to the ethics of this picture. You have made quite a point of the fact that your efforts on behalf of your clients expedited the defense program. It seems to me rather a reflection on our set-up down here that any corporation or business that is organized to contribute to the defense program had to obtain the services of one as skillful as I think we all recognize you to be, in order to get action to help the defense program. Obviously, you can't handle all the concerns that come down here looking for defense contracts or defense business, directly or indirectly, and doesn't it put the other concerns who may have just as much to offer to the defense program, if they can't possibly obtain the services of Tommy Corcoran, at a little disadvantage? Shouldn't this expediting be in the Government and not outside?

Mr. CORCORAN. Well, Senator, I am willing.

Senator BREWSTER. Just a moment. It has been very generally reported that you were ready to be Assistant or Under Secretary of the Navy. Do I understand you would return to a position anything comparable with the one you occupied for 8 years?

Senator CONNALLY. Mr. Chairman, I don't see what that has to do with it.

Senator BREWSTER. He has repeatedly stated here and in his formal statement that he was quite ready to go to work for the Government. I think we would like to know what we could hire him for. I think he is a pretty good man.

Senator CONNALLY. He can't appoint himself and I don't think—

Senator BREWSTER (interposing). But we have gotten what he is ready to do.

Senator CONNALLY. I know, but you are not going to control any appointments, and neither am I, and I don't see why you should undertake to embarrass him by dragging in something like that.

Senator BREWSTER. I haven't dragged it in. He, himself, has brought it in repeatedly today that he was ready to come into the Government.

Senator CONNALLY. You dragged in the Assistant Secretary of the Navy.

Senator BREWSTER. That is the only thing I mentioned.

Senator CONNALLY. I object to that sort of interrogation of the gentleman, because that is a relationship between him and the Secretary of the Navy and the President of the United States, and your questions are an effort to embarrass this witness.

Senator BREWSTER. I am sure no one could embarrass this witness.

Senator CONNALLY. I don't object on any vital matter that is before us here, but I don't propose to agree to this line of questioning.

The CHAIRMAN. If Mr. Corcoran chooses to answer the question, I don't think there is any harm. If he doesn't want to answer and it will embarrass him, that is all right.

Senator CONNALLY. If he wants to answer it, of course he can, but I don't propose to sit here as a member of this committee and ask him, "Why don't you get appointed to this, or why don't you get appointed to something else?" It is not our concern. We don't make the appointments. The President of the United States and the Secretary of the Navy make these appointments. I don't think it is fair to the witness, and I don't think it is fair to the Secretary of the Navy or the President of the United States.

Senator BREWSTER. I would like to know what Mr. Corcoran thinks about it.

Senator CONNALLY. I think you might as well—if you don't mind, this is off the record. Suppose you go ahead and tell some of the details of the divorce cases that you have had, for the Senator's amusement.

The CHAIRMAN. Proceed if you want to answer the question. We will be glad to have you answer it.

Mr. CORCORAN. I would rather not answer that question. May I answer Senator Ball's question?

The CHAIRMAN. Surely.

Mr. CORCORAN. Senator, what impresses me about the relationships of corporations to the Government in the defense effort is not that they need anybody in relation to the Government but that they do need somebody to help them determine their own policy inside themselves. We are going through a period of enormous transition. The average corporation board of directors, because it doesn't live in this atmosphere and know the enormous changes that are taking place and how everything is centralizing under the control of Government administrative agencies, is normally unconvinced, in time, of the way in which it has to move so that its plans will mesh with plans down here. For instance, when you talk with a corporation board of directors and you try to made them understand that it is going to take so many weeks and so many months for something to happen, which in the much smaller scope of their relations to private enterprise could happen the next day, they can't believe you.

When you are dealing with the enormities that Washington is dealing with there are reasons why things can't happen the next day. But the average corporation doesn't realize that Washington can't deal with its situation in particular; that Washington has to work

through, and with, regulations, generalization, and categories. Because the people down here have to deal with such enormous responsibilities, they can't move as quickly as a corporation official with whom my corporation would do business tomorrow morning. There are, therefore, miscalculations on the part of private managers. Unless some adviser not only knows what will happen, but has the ability to convince those managers of what will happen, of things that are otherwise incredible to them, they just simply can't gear themselves to the direction of things.

Senator Brewster has remarked that I have been suspected of driving things down here. I have likewise been suspected in many a corporation board meeting of driving things unnecessarily because I knew things had to be done at a certain time or that things could not be expected from Washington for another time. And so far as unfair competition is concerned, I think, Senator, the point is to get the stuff out and not to preserve competition at the speed of the slowest train like the train schedules to the Northwest.

Senator BALL. I wasn't talking about unfair competition. I am talking about the over-all defense program, and you come down here and represent four clients and you cut through the red tape for them, but there is only one Tommy Corcoran. Who is going to do it for all the others?

Mr. CORCORAN. Do you want me to do a loaves and fishes miracle?

Senator BALL. It seems to me that that kind of work shouldn't be necessary in order to get into this defense program.

Mr. CORCORAN. Your problem is much bigger than me, Senator.

Senator BALL. It probably is.

The CHAIRMAN. Senator Hatch.

Senator HATCH. Where is the problem?

Mr. CORCORAN. What is that, Senator?

Senator HATCH. What is the problem?

Mr. CORCORAN. I don't know, Senator.

Senator HATCH. Yes; but I did want to ask some questions, but it is late, Mr. Chairman; and a moment ago I was afraid maybe certain members of the committee were getting a little tired and perhaps tending toward being irritable. I haven't read the testimony, but did I understand you to say, Mr. Corcoran, that you have here in this prepared statement given a full statement concerning every contract that you have been connected with, involved in the defense in any way whatsoever?

Mr. CORCORAN. That is right, insofar as I know, Senator.

Senator HATCH. In limiting it to defense, are you only limiting to those matters directly affecting the Army or Navy?

Mr. CORCORAN. I have everything in here.

Senator HATCH. Everything that might be connected with it in any way whatever?

Mr. CORCORAN. That is right.

Senator BREWSTER. That doesn't mean with the Government. He distinguishes that.

Senator HATCH. You do distinguish. You appear before the Government in some other capacities?

Mr. CORCORAN. I am talking about everything that is within the purview of the defense program.

Senator HATCH. But you do distinguish that from other connections or appearances before the Government?

Mr. CORCORAN. As I say, I am perfectly willing to talk about Sterling; but I don't want it bracketed in the headlines tonight with other things.

Senator HATCH. Has your practice been extensive, aside from the defense contracts?

Mr. CORCORAN. Fairly so, Senator.

Senator HATCH. As profitable as these have been?

Mr. CORCORAN. I think you are getting to my divorce cases.

Senator HATCH. I am speaking of matters connected with Government.

Mr. CORCORAN. No; not that I know of yet, Senator.

Senator HATCH. I said, had they been as extensive—that is, your appearances in other Government matters—as defense contracts? Have they been as profitable?

Mr. CORCORAN. Outside of the Sterling case, I don't think I have been involved in anything else touching the Government.

Senator HATCH. Now, on the Sterling case, Mr. Chairman, the witness evinced a desire to relate that story to a proper committee or at a proper place where it would not be associated with these defense contracts. I think he should have that privilege. I don't think he ought to go before the Judiciary Committee, though, because there is nothing pending before the Judiciary Committee. The story has been told to this committee, and I think your suggestion that he come back at a later time when it would not be associated with these other matters and let him tell that story would be all right.

The CHAIRMAN. It is perfectly agreeable to me. I just made the suggestion to Senator Hatch that he let you tell that story to the Judiciary Committee.

Mr. CORCORAN. I thought, Senator Hatch, since fundamentally it is a problem of Department of Justice—

Senator HATCH (interposing). I know.

Mr. CORCORAN. That probably the Judiciary Committee was the best place to tell it.

Senator HATCH. I think it would be, but Senator Ball and Senator Herring and Senator Mead and Senator Brewster are none of them members of the Judiciary Committee; only Senator Connally and I are. They have heard part of the story, and I think they ought to hear the rest of it.

The CHAIRMAN. We can arrange that. You are perfectly willing to tell it at the proper time; that is the main thing. If you are willing to tell it, we will arrange that some other way.

Are there any other questions, Senator Brewster?

Senator BREWSTER. I want to go for a moment into this broader question of policy that is involved, and propriety. You were the chairman or the executive head of the committee, the political committee, in the last campaign, of Independent Voters?

Mr. CORCORAN. I was one of the executive committee.

Senator BREWSTER. Well, I think you said in this statement that you put in most of your time on that.

Mr. CORCORAN. I did put in all of my time on that for a long time.

Senator BREWSTER. And that was entirely analogous to the position of a member of a national committee, would you say?

Mr. CORCORAN. No, Senator. This was a temporary political committee.

Senator BREWSTER. Well, during the duration of the campaign you were most active for the election. Would that be a fair statement?

Mr. CORCORAN. Certainly. I was very active.

Senator BREWSTER. I simply wanted, as it seemed to me, using the analogy of persons in that position using their influence, to address myself to that to see whether you would distinguish it.

Mr. CORCORAN. Senator, some day you will be as convinced, I am sure, as I am that those working on an independent political committee have no political influence.

Senator BREWSTER. Well, I wouldn't presume to say as to who had the influence in the administration, the regulars or the independents, because that is outside my province, but I think each of you have quite a lot of influence. That is why I wanted to read to you the statement regarding activities of this character. I quote:

I have felt all along that it is not quite in accord with the spirit of the administration that any individual who holds a high party position, such as national committeeman, should earn a livelihood by practicing law, because, in a sense, he holds himself out as having access to the back door of the administration. It just "is not done."

Do you find yourself in accord with that statement?

Mr. CORCORAN. As I remember it, isn't that the letter that was written about Mr. Arthur Mullen?

Senator BREWSTER. That is quoted from the public papers and addresses of Franklin D. Roosevelt.

Mr. CORCORAN. Well, I agree with anything that Franklin D. Roosevelt says.

Senator BREWSTER. Do you have to see his signature before you conclude your ideas?

Senator CONNALLY. I think it ought to be noted that the Senator from Maine has at least approved of something by President Roosevelt.

Senator BREWSTER. I find that Mr. Corcoran wouldn't approve it until he knew who said it. I go on and read a further quotation.

Referring to Mr. Mullen's retirement—as you recall, Mr. Robert Jackson, Mr. Arthur Mullen, Mr. Bruce Kremer were all retired from political position because of their activity in law practice in Washington, and I quote again from the letter of the President of the United States acknowledging Mr. Mullen's letter to him:

I can appreciate your feeling as indicated in your letter to me, that the time has come when you feel you should resign as national committeeman.

That is the end of the quotation. The President did not disagree with that conclusion. But he goes on to say—I quote:

I shall welcome a continuation of your counsel and advice where the welfare of your State and the country is concerned.

It is phrased with a felicity that we find characteristic of his utterances during your association. I take it you would agree with that statement also.

Mr. CORCORAN. As I understand it, the idea was that Mr. Mullen shouldn't continue as the national committeeman while he was in private practice. This committee of mine was disbanded and its affairs cleared up before I went into private practice, so I am exactly, if the analogy holds at all, in the position of Mr. Mullen after he resigned.

Senator BREWSTER. You have divested yourself of your political inhibition.

Mr. CORCORAN. I divested myself of my political activity.

Senator BREWSTER. Yes. Now, I go on quoting again. This is from Mr. Mullen's book on the Western Democrat, which may be of interest to our Texas Senator.

Senator James F. Byrnes, of South Carolina, went on the radio with a speech of protest against allowing any members of the national committee to maintain law offices in Washington. He also introduced in the Senate a bill to that effect. Jim Farley came to me with the statement that he thought I ought to resign from the committee.

"Did the President send you?", I asked him.

"No; not exactly," he said, "but I think he wants you to resign."

I said, "I won't stir a step unless he himself asks me."

I continue the quotation:

He said that nothing had happened to change his mind, but, as he went on, I realized (this is the President of the United States talking to Mr. Mullen) that the men who wanted to get me out of Washington law practice had put him on a hot spot and that he was appealing to my friendship for him. If the situation was bad for me it was also bad for him—and he was the chief of my party and the President of the United States.

Now, whether or not the distinction which you draw between active association with a political party or political activity or previous association with the Government and the action which you took in resigning your position and association with the Government completely bridges the gulf or whether the 2 years of quarantine enforced by most of the departments of long standing, that is, if they have a rule, I take it is the question here. What is your view, Mr. Corcoran?

Mr. CORCORAN. I think, again, that the problem is what the end result is, whether anything that has been done has sold the Government down the river, whether anything that has been done has hurt the Government or helped the Government.

Senator CONNALLY. What was this committee that Senator Brewster asked you about, some committee?

Mr. CORCORAN. It was an independent committee during the last campaign.

Senator CONNALLY. During the last campaign? And you were in the Government service at that time?

Mr. CORCORAN. Oh, no; I had resigned from the Government service in order to be a member of it.

Senator CONNALLY. Do you think it is any harm when the opposite party, to which Senator Brewster belongs, has a capable corps of high-powered senators out on the stump speaking for that party, and that party comes along and kidnaps one of our Democrats and makes him candidate for President of the United States, for the Democrats to do a little to try to maintain their side of it? Do you think there is anything wrong with that?

Mr. CORCORAN. Senator, I am sure everybody knows what I think.

Senator CONNALLY. That is all.

The CHAIRMAN. Are there any other questions, gentlemen?

Thank you, Mr. Corcoran. The committee will recess until 10:30 tomorrow morning, when Mr. West will be the witness, and at a future date we will expect you to appear, Mr. Corcoran.

(Whereupon, at 4:30 p. m. the committee recessed until 10:30 a. m. Wednesday, December 17, 1941.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

WEDNESDAY, DECEMBER 17, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:41 a. m., pursuant to adjournment on Tuesday, December 16, 1941, in room 318, Senate Office Building, Senator Harry S. Truman, presiding.

Present: Senators Harry S. Truman (chairman), Tom Connally, Harley M. Kilgore, Ralph O. Brewster, James M. Mead, and Clyde L. Herring.

Also present: Mr. Hugh A. Fulton, chief counsel; Mr. Charles P. Clark, associate chief counsel.

The CHAIRMAN. The committee will come to order. Mr. West, will you take that seat, please, and be sworn?

Do you solemnly swear that you will tell the truth, the whole truth, and nothing but the truth, in the testimony you are about to give before this committee, so help you God?

TESTIMONY OF CHARLES WEST, CHEVY CHASE, MD.

The CHAIRMAN. Mr. West, are you a lawyer?

Mr. WEST. No; I am not, sir.

The CHAIRMAN. You were a Congressman from Ohio?

Mr. WEST. Yes; I was, for two terms.

The CHAIRMAN. And Under Secretary of the Interior?

Mr. WEST. Yes, sir.

CONNECTIONS OF CHARLES WEST WITH EMPIRE ORDNANCE CO. AND FRANK COHEN

The CHAIRMAN. Are you connected with the Empire Ordnance?

Mr. WEST. At this time, no.

The CHAIRMAN. You have been?

Mr. WEST. Yes.

The CHAIRMAN. Well, what was the nature of that connection, Mr. West?

Mr. WEST. The Empire Ordnance Co., through Mr. Frank Cohen, who was associated at that time with a group of people from New York and Ohio, came to me some time during the latter part of October or November of last year, during the campaign, and asked me if I would be interested in helping them in connection with various matters that they had then and felt that they would have

that would require the advice and counsel of someone that knew Washington and knew the Government, and after several conversations an arrangement was worked out whereby I was to be associated with them, not as an official of the company nor as a holder of stock, but to be associated with them on a basis of compensation representing a percentage of their business.

The CHAIRMAN. You were not on a salary?

Mr. WEST. No; I was not; but it was understood that I was employed by them on the basis of this compensation.

The CHAIRMAN. What was the purpose of that employment; just the nature of the employment? What were you supposed to do?

Mr. WEST. The purpose of that was to aid them in their work. None of them was familiar with Washington nor with the various procedures of the Government, and I was engaged as an adviser and a consultant to help them in matters pertaining to their work and matters that they expected to have that would involve work in Washington. It was supposed to cover the whole range of their activities. It wasn't for any purpose of securing contracts for them, because at that time, when I first became associated with Mr. Cohen and the Empire Ordnance, there were commitments from the British Purchasing Commission with respect to British business. At no time was there any question of a contract with the United States Government involved. It was British business to be carried out by the Empire Ordnance for the British Government and to be paid for out of British funds several months prior to the arrangements made under the lend-lease program.

The CHAIRMAN. Well, in order that the British contract would be carried out, it had to be approved by the United States Ordnance Department, did it not?

Mr. WEST. Yes; there had to be approval or clearance from the War Department, from the Ordnance Division of the War Department, before the British Government would negotiate a contract.

The CHAIRMAN. And Mr. Cohen was having some difficulty getting that clearance, wasn't he?

Mr. WEST. Yes. During the campaign, during October—

The CHAIRMAN (interposing). This is in 1940?

Mr. WEST. In 1940, I was told by a mutual friend that Mr. Cohen was having difficulty in a matter in Washington. At that time I knew nothing at all about his company or his program. Of course, over the last 10 years as a Member of Congress and as a member of the administration I have done a good many favors for people of all sorts, as you gentlemen no doubt have.

Senator CONNALLY. And some disfavor to some of them.

Mr. WEST. I presume so, Senator. In fact, some have been interpreted that way in my case, and a political friend of mine from Ohio came to me and represented this problem as being a matter involving a friend or client of his and wanted this favor done. Of course, I was very busy during the campaign, I was out speaking practically—

Senator BREWSTER (interposing). Who was this gentleman friend?

Mr. WEST. A gentleman by the name of Duffy, Mr. Dan Duffy, of Cleveland, Ohio, whom I had known for a number of years politically in Ohio, and I was importuned to come to Washington and to see if anything could be done to help Empire Ordnance, and I did that.

The CHAIRMAN. And the object of your connection was to get the Ordnance Department to approve the release of the funds for the British contract, was that it?

Mr. WEST. No, Senator; it was not that. In the beginning it was merely to find out what the trouble was and to advise the Empire Ordnance what they should do. Of course, the problem confronting a good many business people when they come to Washington is to know where to go and what to do.

The CHAIRMAN. That is true.

Mr. WEST. And I wasn't asked to do anything with respect to getting a contract, because they already had the commitment for the business, nor was I asked to get any specific approval for any project. I was asked in the beginning, as a favor to my friend in Cleveland, to find out what the trouble was and to advise them as to what they could do to expedite their matter before the War Department so that they could negotiate a contract with the British.

The CHAIRMAN. And what was your compensation to be?

Mr. WEST. There was no specific compensation for that particular work. The matter of compensation and the matter of a permanent connection with the company came later in subsequent discussions. I was not hired at that time to do anything in particular for the company.

Mr. FULTON. As I understood it, Mr. West, you filed a complaint against the Empire Ordnance Corporation in which you said that "on or about"—and I am quoting from their complaint—

Mr. WEST. Yes, sir.

Mr. FULTON. "The 1st day of November 1940, plaintiff and defendant," plaintiff being yourself and the defendant being the Empire Ordnance Corporation, "entered into an agreement by the terms of which the defendant hired the plaintiff as a business consultant and adviser, and that in consideration of such services the defendant agreed to pay the plaintiff 1 percent of the gross amount of all sales of its products accepted as orders during the ensuing year by the defendant or any of its subsidiary companies," and you also alleged that there were undertaken \$70,000,000 of orders by which you became entitled to 1 percent, or \$700,000, against which you credit the receipt by you or for your account by others of \$13,000, leaving a balance due you of \$687,000. Is that true, Mr. West?

Mr. WEST. That is correct.

Mr. FULTON. In that connection, when this first contact came with your friend, Mr. Duffy, Daniel Duffy, of Cleveland, Ohio, asked you to meet Mr. Cohen, of the Empire Ordnance Corporation?

Mr. WEST. Yes, sir.

Mr. FULTON. You hadn't previously known Mr. Cohen, had you?

Mr. WEST. No.

Mr. FULTON. Did you know Mr. Cohen's reputation or record at that time?

Mr. WEST. No; I did not.

Mr. FULTON. Did you subsequently check into it, I mean, so that you know it today?

Mr. WEST. Well, subsequently I heard a good many things. I always felt this, that when a matter was pending before the Government of this country or the Government of Great Britain and if con-

tracts were involved which represented a good deal of money, that there were facilities, both in our Government and in the British Government, for determining the financial soundness of a concern. I never felt that it was either possible for me, that I had the facilities or the ability to determine the financial soundness of a corporation.

Mr. FULTON. I meant you yourself didn't know those things at that time?

Mr. WEST. Certainly not.

Mr. FULTON. In fairness to you.

Mr. WEST. Mr. Cohen was vouched for by my friend, Mr. Duffy.

Mr. FULTON. And as I understand it, Mr. Cohen informed you that he had been negotiating for a contract, not with the United States Government, but with the British Purchasing Agency, that is, a contract to be obtained by the Empire Ordnance Corporation, and that he had been informed before you came into this at all that that contract was one which the British Purchasing Agency at least wanted to make, and that his difficulty was that the funds had been blocked and that in order to obtain their release the approval of the Ordnance Division of the War Department had to be obtained.

Mr. WEST. That is substantially correct. My understanding was that he had a commitment for an order from the British and would get a contract provided he got the nominal approval or clearance from the War Department, but that no contract was involved with the War Department nor any matter of funds being cleared that I know about. This was prior to the lend-lease arrangement whereby they got approval.

Mr. FULTON. The approval of these British funds were subject to these block orders and had to be cleared.

Mr. WEST. That is right.

Mr. FULTON. And did he tell you that his problem was that he had to find someone who should advise him and work with him and tell him what to do in Washington in order to secure clearance from the United States Government for that proposed contract with the British, that is for the funds needed to make that contract workable?

Mr. WEST. Yes.

Mr. FULTON. And what did he tell you as to the amount of your compensation in that first conference that you had with him?

Mr. WEST. Well, the amount—I saw Mr. Cohen several times before there was any discussion of a formal or permanent arrangement. Understand, this was during the campaign, and I was traveling a good deal of the time and making speeches practically every night, and I was in and out of New York and in and out of Washington, and I had no intention at that time, no thought, of a permanent business connection. These people came to me in the first instance through a mutual friend. I was asked to do a favor, to look into a matter, and it was subsequently that a permanent relationship was discussed and an offer made for compensation along the lines that are indicated in the suit.

Mr. FULTON. Did he ever tell you in so many words that you could name whatever figure you wanted as your compensation?

Mr. WEST. Oh, yes; certainly.

Mr. FULTON. That was in the early stage?

Mr. WEST. Yes; and right along during November and December that he expected to get a large volume of business, both with the British and subsequently with the American Government, because he expected to go into the matter of shipbuilding and he talked at one time about manganese. He had various enterprises that he was considering from time to time.

Mr. FULTON. Well, did you name a set sum that you wanted, or did you propose that instead it be a contingent sum based on sales?

Mr. WEST. No; his proposal was made to me. I made no proposal to him. I never sought the connection nor the opportunity to serve him. I fully understood the need of a proper kind of representation in Washington for a business concern, and I feel that there is a very wholesome result that can come from this committee investigation to determine the type of representation that a business firm can have in Washington. It is not so much the need of securing influence to get specific contracts that a business firm needs, but the advice and counsel of someone who, for one reason or another, knows the procedures in Washington and can advise a business concern, and it was that type of representation or association that Mr. Cohen was seeking. I was never asked at any time to use influence, so-called, to get a contract, nor was I offered a fee or a commission for a specific contract, and if I may, Mr. Chairman, at this time, I would like to say for the benefit of the committee in answer to rumors and allegations that have been made in the press and elsewhere, that there is absolutely no truth to any of those statements that I at any time have sought to get a contract from the United States Government, or the British Government, for that matter, nor have I been paid a fee or a commission for such a defense contract, nor have I worked for anyone to whom I represented that for compensation I would use influence to get him defense business.

Senator BREWSTER. Did you have, Mr. West, any discussion about the political aspects of this situation?

Mr. WEST. The use of political influence to help him?

Senator BREWSTER. Well, any discussion of the political situation in Washington and ways in which it might be of value for him to move.

Mr. WEST. And it would be an advantage to him politically for me to be associated with him?

Senator BREWSTER. Well, did you participate in any way in any negotiations having a political flavor? Let me put it that way.

Mr. WEST. No; I think not at any time; at least, not so far as I was concerned or—

Senator BREWSTER (interposing). Did you have any discussion with any members of the Democratic National Committee about the situation?

Mr. WEST. With reference to his business?

Senator BREWSTER. Mr. Cohen; yes.

Mr. WEST. No; not at any time.

Senator BREWSTER. Did you have any discussion about campaign contributions?

Mr. WEST. Oh, yes. Mr. Cohen at different times said that he was quite willing to make a campaign contribution.

Senator BREWSTER. In any amount?

Mr. WEST. Yes; he mentioned at one time he would like to give \$50,000, he and his associates, to the Democratic Committee.

Senator BREWSTER. And that was during the last campaign?

Mr. WEST. Yes.

Senator BREWSTER. About October, was it?

Mr. WEST. Some time prior to the election; yes.

Senator BREWSTER. And did you take that up with any members of the Democratic National Committee?

Mr. WEST. No; I did not.

Senator BREWSTER. You didn't mention it to anyone?

Mr. WEST. No; it was not my purpose at that time nor at any time during the campaign to secure campaign contributions.

Senator BREWSTER. You are very positive that you didn't mention that to anyone else?

Mr. WEST. I am very positive that I did not mention it.

Senator BREWSTER. Then I am a little puzzled by this affidavit which I have here covering your recent testimony in connection with this hearing, in which, after reciting this proposal of a \$50,000 contribution to the Democratic National Committee, you go on to testify—this is from the deposition which you have filed with the court in your case in New York:

What did you say about a \$50,000 contribution to the National Democratic Committee when he mentioned that?

Your reply was as follows, according to the stenographic report:

Well, of course, I was not at all disposed to discourage him from doing that, and urged him to proceed to do it at once, and, in fact, advised certain parties in the Democratic National Committee that at last we had found someone sufficiently interested in our program that they were willing to back it financially.

In view of that, would you now wish to revise your answer that you didn't communicate with any member—just a moment, just a moment—that you didn't communicate with any members of the Democratic National Committee? This evidence was under oath, I understand.

Mr. WEST. I understand you, Senator, to ask me if I had discussed the matter with the officials of the Democratic National Committee. What was your question? I may have misunderstood it.

Senator BREWSTER. I asked you whether you communicated this matter to any members of the Democratic National Committee.

Mr. WEST. I may be at error in answering your question.

Senator BREWSTER. I should say you very seriously were, Mr. West.

Mr. WEST. As a matter of fact, I might have misunderstood specifically what you had in mind. The testimony that I gave in connection with that deposition to the best of my knowledge is true and accurate.

Senator BREWSTER. Then you did communicate with certain parties in the Democratic National Committee. Now, who were those parties?

Mr. WEST. If I may say this in answer to your question, I do not recall specifically to whom I made statements during the campaign last year. I was associate director of the speakers' committee of the Democratic National Committee. Congressman McCormack, of Massachusetts, was the chairman, and we were in and out of the committee. I will say this very positively, that at no time did I undertake to secure contributions to the committee, nor did I handle

them. What I said there about talking about possibilities of getting contributions is correct.

Senator BREWSTER. You communicated to someone in the committee the fact that he was ready to contribute?

Mr. WEST. To be strictly correct, I no doubt mentioned—I will say that I did mention it to those who were in headquarters, but so far as taking—

Senator BREWSTER (interposing). Who were some of the ones with whom you were in contact besides Mr. McCormack?

Mr. WEST. I was in contact with Mr. McCormack. I was in contact with Mr. Flynn and his assistant, with Mr. Aiken, who was in the speakers' bureau at the time, and with any number of others that came in.

Senator BREWSTER. Who were looking after the funds?

Mr. WEST. At that time, I think Mr. Quayle and Mr. Wayne Johnson were looking after the funds.

Senator BREWSTER. Did you talk with either of them?

Mr. WEST. I don't recall that I did.

Senator BREWSTER. You mean you didn't talk with them about any matter?

Mr. WEST. There are two things here, if I may say this. I never regarded that as a matter of such consequence, and I think there is a tendency that it might be exaggerated out of proportion to its real significance. Mr. Cohen said to me that he would be perfectly willing to give a campaign contribution.

Senator BREWSTER. Of \$50,000?

Mr. WEST. Of \$50,000; and naturally I said I wouldn't discourage any effort on his part to do that, and naturally I would say something to those who were associated with me who were out speaking with me and those at headquarters, but if you mean did I take this up officially with the Democratic National Committee and make arrangements for them to receive a campaign contribution from Mr. Cohen, my answer is "No," and I say also that the testimony I gave in the deposition is correct.

Senator BREWSTER. Well, I think that——

Mr. WEST. Does that clarify it?

Senator BREWSTER. I think that your position is quite clear except for your earlier denial that you had communicated it to any members of the national committee. I think that was in error.

Mr. WEST. I am sorry, Senator, if I misunderstood your question to mean did I engage in negotiations to get the contribution to them. That is what I understood the question to mean.

Senator BREWSTER. I don't quite understand your suggestion that it wasn't a matter of much importance. I should suppose that \$50,000 would be of importance even to as well supplied a campaign fund as the Democratic National Committee, but that is a matter of opinion, I suppose.

The CHAIRMAN. Senator, you remember they had to give a lot of dinners to cover the deficit.

Mr. WEST. I think they needed the money at the time. He would have been very glad to secure a campaign contribution of that size. The point I am making is that so far as my arrangements with Mr. Cohen were concerned, this matter of the campaign contribution

could be exaggerated out of proportion to its significance. That had no bearing on my association with him nor my employment with him. That was an incident in my recollection during the campaign and merely an incident because I wasn't engaged in that at the time. I was concerned with the speaking end of the campaign and nothing else.

Senator BREWSTER. And you didn't contemplate that such an action by Mr. Cohen would at all assist in your labors on his behalf in Washington?

Mr. WEST. No; I wasn't induced to be associated with him for any reason of political influence of that kind. Senator, if I had to have brought up matters of favor that I have done for people throughout Ohio and other parts of the Nation who have in one way or another contributed to the Democratic National Committee and have my conduct questioned from time to time because of those contributions, I think we would run into a good many instances not only in my case but in the case of any Member of Congress or any member of a legislative body that has been in public life for a while. And it had no bearing at all on this business.

Senator BREWSTER. And what we are addressing ourselves to is to possible relations between things of that character and the results here in Washington, and we want to establish whether or not there was any relation, and it certainly is a matter of great interest that at the time you were being engaged to help Mr. Cohen in Washington you were also suggesting to the Democratic National Committee that you might get a \$50,000 campaign contribution. That would be certainly a matter of interest, and I would think of possibly some significance.

Mr. WEST. Oh, I think that is very true.

Senator BREWSTER. Now, what I want to ask you, Mr. West, is what Government officials in Washington did you take matters up with in behalf of Mr. Cohen.

Mr. WEST. I have never taken up specific matters pertaining to specific contracts or matters affecting his company with any Government officials.

Senator BREWSTER. Well, then, how have you rendered him any service?

Mr. WEST. My service was the kind that was to extend over a period of time and it was to be advice and counsel on what to do in Washington, and never at any time was I supposed to get contracts for him, because, as a matter of fact, he had his business arrangements with the British, it was a matter of commitments with him at the time I was associated, and there was never a time, until later on when a matter of a shipbuilding program was involved, that there were any contracts with the Government of the United States.

Senator BREWSTER. Well, now, are you prepared to testify, Mr. West, and I want you to very careful and understand me very clearly, that at no time have you discussed with any Government official any of Mr. Cohen's various affairs?

Mr. WEST. Oh, no, Senator, I didn't say that.

Senator BREWSTER. That is what I want you to answer.

Mr. WEST. Certainly not. I have discussed——

Senator BREWSTER (interposing). Now, I want——

Senator CONNALLY. Let him answer the question before you ask him another one.

Senator BREWSTER. All right, all right, Mr. West.

Senator CONNALLY. Go ahead.

Mr. WEST. Yes, Senator.

Senator CONNALLY. I say, finish your answer before he pops another one at you.

Mr. WEST. I have talked with Government officials about Mr. Cohen's situation, but not to ask for any contracts.

Senator BREWSTER. That is not my question. Now, with what Government officials have you discussed this matter?

Mr. WEST. At the beginning of his effort to negotiate a contract with the British, he needed clearance from the War Department, from the Ordnance Division of the War Department, for the purpose merely of giving him standing with the British so that he could go ahead and do business with them, and my original service with him was to find out what the difficulty was and why he was not getting such clearance. It was not for the purpose of going to the War Department and getting anything from them, but to find out what his problem was and report back to him as to what he should do to clarify his matter. That was my purpose in serving him.

Senator BREWSTER. I understand. Now, with whom——

Mr. WEST (interposing). I never went with him to the War Department.

Senator BREWSTER. Now, just answer, with whom did you discuss it? I understand your position.

Mr. WEST. I discussed with several officials.

Senator BREWSTER. All right, who were they?

Mr. WEST. I do not recall the names of the people.

Senator BREWSTER. Now, Mr. West, you refresh your memory. You can certainly recall some official of the War Department with whom you discussed this. Really, you strain our credulity.

Mr. WEST. I recall the name of one official.

Senator BREWSTER. All right, who is he?

Mr. WEST. The name of one official is a friend of mine, and may I make this clear at the beginning. I don't want to bring in names of people in this Government and have reflection made upon them as a matter of publicity when they had nothing to do with the matter of the Cohen——

Senator BREWSTER. I insist that the witness answer.

The CHAIRMAN. Give the name.

Mr. WEST. I want to predicate this, because I didn't ask this man to do anything, I merely asked his advice with respect to information, and under those circumstances I will give the name of Gen. Benedict Crowell in the War Department.

Senator BREWSTER. Now, with what other officials did you have any conversation? We understand your predication.

Mr. WEST. I made inquiries of subordinate officials at the War Department whose names I do not recall, to get information as to what was the difficulty with the Empire Ordnance Co.

Senator BREWSTER. Were they persons to whom you were referred?

Mr. WEST. I simply went in to find out as any citizen ought to have the right, to make inquiries in any department of this Govern-

ment. I wasn't going there to ask them to do anything; I was going there for information.

Senator BREWSTER. I understand that. But you don't recall the names of any of these other officials?

Mr. WEST. I do not, sir.

Senator BREWSTER. Now, coming on from General Crowell, what other members of the Government have you at various times taken up the Cohen affairs with?

Mr. WEST. There were a number of things. Mr. Cohen at one time was interested in finding a location—this was——

Senator CONNALLY (interposing). What Cohen is this? There are a flock of Cohens around here.

Mr. WEST. This is Frank Cohen.

Senator BREWSTER. This isn't Ben Cohen.

Mr. WEST. No, sir; this is Mr. Frank Cohen, of New York.

Mr. FULTON. Who is no relation to Mr. Ben Cohen, as I understand it.

Senator CONNALLY. It is not the shipbuilder?

Senator BREWSTER. This is the same one; yes.

Mr. WEST. The same Cohen that is involved in the Savannah Shipyards. Subsequently Mr. Cohen wanted to get a location for his steamship company. I was in New York at the time. I do not recall the exact date, but it was subsequent to this time. He wanted to know where he could locate this shipyard, and someone had told him that Houston, Tex., would be a good site. He asked me if I knew anyone in Houston. I said that I did, and would be very glad to find out if there was a site available. so that I took up the telephone and called the mayor of Houston, who is a personal friend of mine, to find out whether or not there was an available shipbuilding site in Houston, Tex. That was one service. I contacted him for that information. Another thing——

Senator BREWSTER (interposing). What was his name?

Mr. WEST. Neal Pickett, the mayor of Houston.

Senator BREWSTER. Pickett?

Mr. WEST. Pickett; yes, sir.

Senator BREWSTER. Did that have any connection with this Joe Hill?

Mr. WEST. No; that is another matter.

Senator BREWSTER. Who is Joe Hill?

Mr. WEST. Joe Hill is a State senator in Texas.

Senator BREWSTER. What was your business with him?

Mr. WEST. I never had any business relations with Joe Hill.

Senator BREWSTER. How is he getting money on your account, then?

Mr. WEST. Joe Hill loaned Frank Cohen money to advance to me for expenses in the early days of this association.

Senator BREWSTER. How did that happen?

Mr. WEST. Joe Hill knew Frank Cohen. Frank Cohen at the time did not have money as he represented it to me, but he borrowed it from Joe Hill and Joe Hill gave it to him and I gave Joe Hill a note for that amount, which was subsequently paid by Mr. Cohen.

Senator BREWSTER. Then how did you happen to give the note to Hill?

Mr. WEST. To protect Joe Hill.

Senator BREWSTER. Although the advance was to Cohen.

Mr. WEST. The advance was from Cohen, but Cohen secured it from Joe Hill. Joe Hill gave the money and I protected Joe Hill with my personal note. At that time, understand, my relations with Mr. Cohen were rather nebulous, and I didn't want Joe Hill to undertake a financial responsibility without being protected by myself.

The CHAIRMAN. Is that the same Joe Hill who wanted to be counsel of this committee? I say, is that the same Senator Joe Hill, from Texas, who wanted to be counsel of this committee?

Mr. WEST. Since you mention it, I have a recollection that I heard something about it. All I know is what I heard in the way of rumor, that he was seeking a position in the—

The CHAIRMAN (interposing). Mr. Hill came to see the chairman of this committee and wanted to be its counsel. At the time I had already talked to the Attorney General and engaged Mr. Fulton, and Mr. Hill didn't make the connection.

Mr. WEST. Since you mention it, my recollection is that it is the same man.

At another time, I know that Mr. Hill was interested in a position either with the Petroleum Administration or several other places in the Government. Senator Hill, of Texas—Joe Hill, State senator—was associated with the Southport Refinery. The Southport Refinery was associated with Mr. Cohen in some way; I have never known the financial relationship.

The CHAIRMAN. Where is the Southport Refinery? Is that at Houston?

Mr. WEST. No; it is somewhere in Texas. I don't know just where it is located. Mr. Hill came to Washington to see if he could get an order for high octane gasoline for that refinery, and he was having difficulties. He was told that the Government didn't need any high octane gasoline, and certain officials down there said to him that if they did have any additional requirements the company represented by this man in the Government could get the business, so that there was no need for Joe Hill to become interested in getting Government business.

Senator BREWSTER. What I am interested in is what was the relation of Joe Hill to this particular deal.

Mr. WEST. That I had with Cohen?

Senator BREWSTER. Yes.

Mr. WEST. None whatever, so far as I know.

Senator BREWSTER. How did he happen to put the money up for this?

Mr. WEST. As a personal friend to Mr. Cohen. This was during the campaign, and I was spending a good deal of money in the latter days of October and November, traveling about and making speeches and paying my own way, and this was expense money that was advanced. Mr. Cohen was supposed to do it, but did not have the money, so he said, and so asked Joe Hill to give it to me, and I simply gave Joe Hill a note in order to protect him.

Senator BREWSTER. Until Mr. Cohen could pay you?

Mr. WEST. That is right.

Senator BREWSTER. For the services which you were rendering?

Mr. WEST. That is right.

Senator BREWSTER. And did Mr. Cohen subsequently pay you, or Mr. Hill?

Mr. WEST. Subsequently paid Mr. Hill.

Senator BREWSTER. Direct?

Mr. WEST. Direct.

Senator BREWSTER. And that was charged to your account?

Mr. WEST. Charged to my account; yes, sir.

Senator BREWSTER. For your expenses and services in this affair?

Mr. WEST. Yes. At that time, merely expenses. For instance, I was out in St. Louis. I was making speeches at Mount Vernon and Murphysboro. I got a call that Mr. Cohen wanted me to come back to Washington. I came back here on the midnight plane, spent the morning here, and took a plane for Louisville for a meeting the next night. That sort of thing during that early period.

Senator BREWSTER. Well, the money that Senator Hill advanced was for your political activity or for your Cohen activity; which was it?

Mr. WEST. Oh, it was for the Cohen activity; yes. It was money for Cohen; not for Joe Hill nor for politics.

Senator BREWSTER. To help out Mr. Cohen. Did you subsequently have any further contacts with Mr. Hill about the Cohen matter?

Mr. WEST. Oh, yes; I have talked with Mr. Hill many times from that time until the present about this.

Senator CONNALLY. May I interrupt, Mr. Chairman? The Senator from Maine said something about Senator Hill. I want to make clear this wasn't Senator Hill, of Alabama.

Senator BREWSTER. I think you find that it is State Senator Joe Hill, of Texas.

Senator CONNALLY. State senator?

Senator BREWSTER. That has been made very clear.

Mr. WEST. I referred to him that way, Senator Connally.

Senator CONNALLY. Not Senator Hill, of Alabama.

Mr. WEST. State Senator Joe Hill, of Texas.

Senator BREWSTER. It was brought out before you came. Also the fact that he was applicant for counsel for this committee. That was the Hill.

You mentioned General Crowell. We would like to identify these, because it would be extremely helpful to know the way in which these matters proceed. What other officials of the Government?

Mr. WEST. Senator, I am very reluctant to mention——

Senator BREWSTER. We understand you are reluctant.

Mr. WEST. Men in Government who have nothing to do with the Cohen matter, and I will be very glad to mention any names——

Senator BREWSTER (interposing). I am confining myself to people in the Government with whom you discussed any phase of the Cohen affairs. That is very specific.

Mr. WEST. That is very specific and very clear; if it is understood that I am giving it in just that way, I am glad to mention names.

Senator BREWSTER. That is right.

Mr. WEST. For instance, I was called here by Mr. Cohen, asked to come and look into a manganese matter. That was late in the campaign. I don't recall the exact time, but it must have been late in October or early November. It seems as though a Mr. Charles MacDaniel, of New York, who at that time was associated with Mr. Cohen, had some sort of option on a bed of manganese in Brazil, and the arrangement that he had discussed with Mr. Cohen was to establish a

shipping line to bring that manganese up and to take coal back down to Brazil, one of those exchange arrangements of commodities carrying out the good-neighbor policy, aiding our own coal industry and having an exchange arrangement with Brazil that would permit the exchange of commodities. I was asked to look into that and find out if it was practicable, and during the course of my investigation into that I did meet and talk with several members of the Government.

Senator CONNALLY. They don't charge commissions on all the good-neighbor policy.

Mr. WEST. There was no commission involved, Senator. I mean there was no commission involved in this matter. I was to be associated with Mr. Cohen to look after all of his matters, and it was a compensation in lieu of salary, in lieu of stock interests, in lieu of commissions, a compensation equivalent to 1 percent of the business that he got during the year.

Senator BREWSTER. Of the gross business?

Mr. WEST. Of the gross business. There was no commission or fee on anything I ever did for Mr. Cohen, and in this manganese matter I talked with different members——

Senator BREWSTER (interposing). Now with whom? Just be specific.

Mr. WEST. I talked with the Secretary of State.

Senator BREWSTER. Secretary Hull?

Mr. WEST. Secretary Hull. I talked with the Secretary of Commerce.

Senator BREWSTER. Mr. Jones?

Mr. WEST. Mr. Jesse Jones. I talked with Mr. Emil Schram, the head of the R. F. C., and I talked with Senator Henderson, of the Reserve Metals Corporation, a subsidiary of Reconstruction Finance Corporation; I talked with Warren Pierson, head of the Import-Export Bank, for the purpose, Senator, of asking if an appropriation of that kind was practicable, if it could be worked out, not for the purpose of asking those officials of the United States Government to do anything. I discovered after discussion with them that it was not a practicable proposition, that it was highly inadvisable for Mr. Cohen from his points of view as a business proposition to undertake anything involving manganese, and I reported that back to him and advised him not to have anything to do with it. I had a second conference with Mr. Jones, Secretary of Commerce, at which time Mr. Dan Duffy, of Cleveland, was with me.

Senator BREWSTER. Duffy?

Mr. WEST. Dan Duffy, and we asked the Secretary of Commerce about this matter. He advised against it, said that it wasn't a practicable matter, and that was the extent of my conversations with these gentlemen; and you can see why I would be disposed to be reluctant to mention their names because I wouldn't want any unwarranted interpretation put upon the significance of my seeing them.

Senator BREWSTER. Now, in connection with certain matters in which you were more successful, with what Government officials did you talk? In this affair it came to nothing. Now, in what cases were you able to deliver?

Mr. WEST. Well, I would hardly designate any of the matters as being "delivered."

Senator BREWSTER. Well, I will put it more practically, then. In what cases concerned with Mr. Cohen did you discuss with Government officials a matter where contracts did finally result?

Mr. WEST. In the very beginning, when I discussed with people at the Ordnance, when I tried to find out, get information, Mr. Cohen's problem was how to get clearance. He didn't know where to go nor whom to see.

Senator BREWSTER. Let's say, then, he did get some very substantial orders in the amount of \$70,000,000.

Mr. WEST. I never really knew. He told me different amounts at different times, and at one time in a letter to the Maritime Commission he said that he had \$25,000,000 worth of British business and was negotiating contracts aggregating a total in excess of 100 millions. I asked Mr. Cohen from time to time, and he was vague. At one time he said about 70 millions had been completed. I never had an accounting. I didn't know. I was basing my claim against him, 1 percent, on 70 millions because that is what he represented to me he had in round figures at that time.

Senator BREWSTER. Was that both British and American?

Mr. WEST. Oh, no; just British.

Senator BREWSTER. Just British?

Mr. WEST. There was no American involved, no American business at that time involved. And may I say this, Senator, in answer to your question, that when I first sought information about this problem I discovered that intermediaries of one kind and another had been sent to the War Department, different people speaking for him and never getting anywhere, and the advice that I gave to Mr. Cohen in those early days was to take the president of his company, the Empire Ordnance, and go directly to the Ordnance officials of the United States Government and put his cards on the table to show them what the facts were about his proposition, who the people were involved, the financial interests back of him, and be perfectly frank and straightforward, and rest his case on its merits, and that manner of procedure was effective and prevailed, and the advice that I gave him to deal with the United States Government in that manner, in a frank and open and straightforward manner, produced results.

Senator BREWSTER. Now, with what other officials did you personally discuss this matter besides General Crowell that you have testified about?

Mr. WEST. I never discussed Mr. Cohen's matter or specific phases of it for the particular purpose of asking governmental action with any officials of the Government.

Senator BREWSTER. Now, Mr. West, that isn't what I have asked you. I repeat, I ask you, With whom did you discuss any of Mr. Cohen's collateral affairs, with what Government officials? I don't ask you for what purpose and what the results. With whom did you discuss it?

Mr. WEST. You mean with reference to this early British business?

Senator BREWSTER. I have been trying to cover blanket, but you seem to be rather evasive, let's say that. Confine it to that.

Mr. WEST. No others.

Senator BREWSTER. No others? Well, let's move on to the next phase of it. With what Government officials did you have conversations about Mr. Cohen's affairs?

Mr. WEST. I have told you about manganese.

Senator BREWSTER. Yes; you have given us that. I am asking you—

Mr. WEST. In regard to shipbuilding?

Senator BREWSTER. Yes; let's take that.

Mr. WEST. Mr. Cohen became interested in shipbuilding, and his purpose was to have the Empire Ordnance Corporation, which at this time had developed to the extent where it had acquired other additional or subsidiary companies making parts in connection with the original contract—he wanted to have an additional company that would make ships, and sought information about the possibilities of shipbuilding.

The CHAIRMAN. Did you advise him to employ Tommy Corcoran?

Mr. WEST. I did not, sir.

The CHAIRMAN. Proceed, Senator.

Senator BREWSTER. Retention followed your employment, however, didn't it?

Mr. WEST. It did.

Senator BREWSTER. Did you ever discuss Mr. Corcoran with him?

Mr. WEST. Beg pardon?

Senator BREWSTER. Did you ever discuss Mr. Corcoran with him?

Mr. WEST. Oh, yes. I was asked by Mr. Cohen if I knew Mr. Corcoran.

Senator BREWSTER. Yes.

Mr. WEST. I said, I did.

Senator BREWSTER. And did you recommend him?

Mr. WEST. Well, I wouldn't say that my recommendation was a part of his hiring Mr. Corcoran, but I certainly recommended Tommy Corcoran as a man of ability and character at that time, and I would still say that.

Senator BREWSTER. Now—

Mr. WEST (interposing). May I say this, Senator, please, that I have had no business associations of any kind whatsoever at any time with Mr. Corcoran, none whatever, and even in connection with Empire Ordnance. My understanding gained from what Mr. Cohen told me was that Mr. Corcoran was hired for other purposes, and in no way conflicted with what I was doing.

Senator BREWSTER. That is all right; we are not questioning that. Now, you were leading up to the shipbuilding. He decided to get into shipbuilding. What did that result in, as far as your conversation with Government officials is concerned?

Mr. WEST. As I have already told you, I made inquiries of the mayor of Houston to find out about a site. I made inquiries at the Maritime Commission to determine—

Senator BREWSTER (interposing). When you say "Maritime Commission," whom did you talk with?

Mr. WEST. I talked with Commissioner Woodward at the Maritime Commission, and I might say at the same time for the same purpose of gaining information to advise Mr. Cohen, not to ask for a contract. And I took part in a conference at the Maritime Commission subsequently where representatives of Mr. Cohen's company were, and in the office of one of the officials of the Maritime Commission, Mr. Scoll.

Senator BREWSTER. How do you spell that?

Mr. WEST. I don't know the correct spelling; S-c-h-o-l-l, I would suppose.

Mr. FULTON. He is assistant to one of the Commissioners.

Mr. WEST. Is that the correct spelling? Is it "S-c-o-l-l" or "S-c-h-o-l-l"?

Mr. FULTON. I believe it is "S-c-o-l-l," but he is assistant to one of the Commissioners.

Mr. WEST. I think he is assistant to Commissioner Vickery.

Mr. FULTON. And that was referred to, Senator Brewster, in Commissioner Vickery's letter, which sets forth exactly what took place at that conference.

Senator BREWSTER. You were present at that conference?

Mr. WEST. I was present at a meeting there where Mr. Cohen's ship-building program was discussed. I mean there was no matter of asking Commissionery Vickery—I mean Mr. Scholl in this instance, and later when Mr. Vickery came in—that Commissioner Vickery have the Maritime Commission—in individual effort of asking for a contract. It was a general discussion of his proposition, which he had offered in writing to the Maritime Commission.

Senator BREWSTER. What other Government officials did you have contact with in connection with this shipbuilding affair?

Mr. WEST. No others that I recall.

Senator BREWSTER. Woodward and Scoll?

Mr. WEST. Yes; and Commissioner Vickery.

Senator BREWSTER. Yes.

Mr. WEST. But, as I say again, for purposes of securing information to advise Mr. Cohen. I conceived my purpose all the time to do that—to advise him and counsel with him on matters pertaining to the Government.

Senator BREWSTER. Now, let's go on to what other of Mr. Cohen's affairs you took up with Government officials.

Mr. WEST. I don't recall any others.

Senator BREWSTER. You think that is the extent of your activities?

Mr. WEST. There were many, many things at one time or another—getting information or calling places for information—but I have no recollection at all of the specific identity of all of those.

Senator BREWSTER. Now, in your experience, Mr. West, I think you have already testified to your association as a Member of Congress and with the Secretary of the Interior. Did you refer to your intermediate connection when you were in some phase of activity on the Hill in your testimony as to your experience?

Mr. WEST. To whom?

Senator BREWSTER. To this committee today. There was a period when you were supposed to have been some sort of liaison officer on the Hill. I never was quite clear what that was. What was that connection?

Mr. WEST. I was Under Secretary of the Interior at the time.

Senator BREWSTER. During all that period?

Mr. WEST. And on various occasions was asked, as you perhaps recall, to present the views of the administration with respect to particular matters to the Members of the House and the Senate.

Senator BREWSTER. Not concerned with Interior affairs, in many instances?

Mr. WEST. In many instances that is correct.

Senator BREWSTER. You were sort of a free lancer in that period, and you acquired a considerable acquaintance with the general machinery of the Government and the Congress in that period, did you not?

Mr. WEST. That is right.

Senator BREWSTER. That acquaintanceship was undoubtedly of value in your later contacts that you now have been carrying on.

Mr. WEST. It was very valuable to me in enabling me to understand the processes of government and what should be done and to advise Mr. Cohen in this particular instance as to what to do and where to go and how to handle governmental matters.

I have a notion, Senator, that there is a range of activity that is perfectly ethical and proper in the matter of giving that sort of advice and representation to business people who do not know where to go and what to do.

Senator BREWSTER. I take it that is one of the matters which we are exploring, and we obviously, I take it, are concerned about the precise relation of former Government officials to such activities. Are you familiar with the 8 or 10 departments which forbid activities for a quarantine period of 2 years of any former officials?

Mr. WEST. Oh, yes. I have never represented anyone before those departments.

Senator BREWSTER. I didn't intimate that, but I meant you are familiar with that.

Mr. WEST. Oh, yes.

Senator BREWSTER. You are familiar with those regulations?

Mr. WEST. Certainly.

Senator BREWSTER. And also with the attitude of the President discouraging the activity of those who have been concerned with the party affair in Washington in the lobbying practice?

Mr. WEST. Oh, certainly; and I am in complete accord with the views of those who hold that these unethical practices of lobbying and improper representation and the alleged selling of influence are very reprehensible. I hope that out of this sort of exploration and investigation will come an enactment that will regularize that activity, prohibit that which is improper, and recognize those forms of activity that former members of the administration and of Congress can participate in with perfect propriety.

Senator BREWSTER. Now, isn't it a fact that the departments are very generally condemning these percentage fee contracts?

Mr. WEST. I don't know what the departments are doing, Senator.

Mr. FULTON. The Treasury regulation is an old regulation.

Senator BREWSTER. This is about percentage-fee contracts. Have there been any?

Mr. FULTON. You are talking about the War Department, I think.

Senator BREWSTER. Yes.

Mr. FULTON. Which has a regulation to the effect that there has been no fee paid to obtain the contract. That is, of course, in every one of them.

Senator KILGORE. I would like to ask a question before you go on and develop something else.

From your testimony I gained the idea that, in your opinion, it really was necessary for a businessman to deal with the departments, with the procurement agencies, shall we say, rather to have an adviser and a guide to take him through the labyrinth and, in a legitimate manner, show him whom he could talk to in order to procure contracts. Is that right?

Mr. WEST. Yes, sir; I think that is helpful to him.

Senator KILGORE. In other words, the labyrinth or maze of the procurement agencies of Government here are such that the common, ordinary garden variety of businessman can't find his way around. Is that right?

Mr. WEST. That is very true.

Senator KILGORE. Don't you think a simplification so that a man could get to the right official without wading through some labyrinth some way might facilitate national defense? In other words, a central clearinghouse where he could make his possibilities of manufacture known and the people who need those materials could find out what he could make. Don't you think that would be a help?

Mr. WEST. I think that the present organization of the defense program could be improved, and it is, as I understand it, being improved with experience, but when the emergency came upon us, it was necessary—

Senator KILGORE (interposing). I will grant you that.

Mr. WEST. To create agencies immediately.

Senator KILGORE. But the point I am making is that it is very nearly impossible for a man not familiar with official Washington just to come in here and get a contract, even though he has all the facilities to manufacture something that is needed, unless he is content to stay around here for a long time and feel his way from clerk to clerk. Isn't that right?

Mr. WEST. I agree with you. It is very difficult for such a man, but I also agree that business can be done in Washington by businessmen dealing directly with Government officials. It is a matter of knowing where to go and what to do.

Senator KILGORE. That is the point I am making. I am not accusing anyone. I am not trying to infer any wrong in showing a man where to go. The point I am making is that somebody must know where to go if they are going to get any business. Isn't that right?

Mr. WEST. I think that is true in many instances.

Senator KILGORE. And it is practically impossible to contact the man who actually buys stuff unless you really, in the vernacular, know your way around.

Mr. WEST. I don't think it is any different, Senator, from what it has always been.

Senator KILGORE. I am not talking about the use of political pressure. I am talking about knowledge.

Mr. WEST. That is right.

Senator KILGORE. In other words, you must know your way through the maze if you expect to get any place with any rapidity.

Mr. WEST. As a Member of Congress, I discovered that a great many people in my district, even 10 years ago, did not know where to go and what to do to get proper consideration of matters that they had pending before the Government, and as a Member of Con-

gress, I have advised many, many people in the past what to do in Washington and what to do about matters pending before the Government.

Senator KILGORE. Not so much what to do as to find out the proper person to do it. Isn't that it?

Mr. WEST. Exactly so.

Senator KILGORE. And that proper person is usually very hard to see unless you know what his name is.

Mr. WEST. That is right.

Senator KILGORE. All right.

Senator MEAD. Mr. Chairman.

The CHAIRMAN. Senator Connally wanted to ask a question, Senator Mead, and then I will recognize you.

Senator MEAD. Go right ahead.

Senator CONNALLY. Mr. West, are you a lawyer?

Mr. WEST. No; I am not, Senator.

Senator CONNALLY. Your contract with Mr. Cohen was based upon a percentage of all the business he was expecting to get. Is that right?

Mr. WEST. That is right.

Senator CONNALLY. Well, you said awhile ago it was not a commission. What was it called?

Mr. WEST. I would call that compensation in lieu of commission, or in lieu of salary, or in lieu of stock interest. There was to be some compensation.

Senator CONNALLY. You can't have something in lieu of something unless the other is mentioned. Stock wasn't mentioned; salary wasn't mentioned—

Mr. WEST (interposing). Oh, yes. Mr. Cohen at different times suggested a salary arrangement or suggested the matter of giving me stock interest in the company. I had no interest—

Senator CONNALLY (interposing). As a matter of fact, the War and Navy Departments provide in their contracts that they won't recognize any contract where there is a contingent commission involved, but they do recognize contracts obtained by a paid salary representative here in Washington. Did you know about that when you had this talk with Cohen?

Mr. WEST. Yes; I know about that arrangement.

Senator CONNALLY. Did that have any influence with you as to whether you would take a salary or commission?

Mr. WEST. My only thought there was that I would take a gamble with him. I didn't know how much business he was getting. He might not have gotten any. And I wasn't disposed to have him pay me any compensation that he might not get anything out of.

Senator CONNALLY. Did you get for him any of these contracts that he is supposed to have to make a volume of \$700,000,000? Did you get any of those contracts for him?

Mr. WEST. No, Senator. He had commitments with the British before I ever knew him, and he negotiated the contracts himself.

Senator CONNALLY. Well, what was he going to pay you \$700,000 for if you didn't get any contracts for him and are not a lawyer? What was it you were selling him?

Mr. WEST. I was merely being associated with him and sharing with him, if we would look at it that way, in the profits of his business. If I had had a stock interest, I would share in the total of his business.

Senator CONNALLY. Of course, but—

Mr. WEST (interposing). But this was in lieu of that.

Senator CONNALLY. In lieu? All right, let's see about in lieu. You say you weren't selling any influence for \$700,000?

Mr. WEST. Certainly not.

Senator CONNALLY. You weren't selling any legal knowledge?

Mr. WEST. Certainly not.

Senator CONNALLY. You were selling your association. I have known you and I like your association, but \$700,000 for 2 or 3 months' social contact is pretty high.

Mr. WEST. Well, it would seem high. It would also seem high to me that a man could get \$100,000,000 worth of business or at least whatever it was.

Senator CONNALLY. You said you didn't get it. If you had got it, that would be another matter. You said you didn't get a single contract for him and that you are not a lawyer and you couldn't advise him legally. Now, what were you selling?

Mr. WEST. I was not selling anything.

Senator CONNALLY. Why should he pay you \$700,000, then?

Mr. WEST. To be associated with him in his business. Now, if I had had a stock interest of a certain percentage—

Senator CONNALLY (interposing). What would he give you a stock interest for unless you were going to give value received? I want to get at the facts. I am kindly disposed toward you, but I can't exclude from my mind the fact that you have been the Assistant Secretary of the Interior, you have been Congressman, and you have been a big troubleshooter here, supposedly, for the administration. If you weren't selling legal knowledge, I can't resist the conclusion that you thought you were selling some "fluence" with a big F.

Mr. WEST. I didn't understand you.

Senator CONNALLY. "Fluence."

Mr. WEST. No; I was not at any time selling influence or service that I could render by virtue of the people—

Senator CONNALLY (interposing). What were you selling? You are not a lawyer, you say. But in a contract that calls for me to do something and for the other man to do something, there is consideration. You have to do something. What were you giving him for this \$700,000?

Mr. WEST. Advice and counsel and constant service with respect to his problems in Washington.

Senator CONNALLY. Well, you say when you went with him, he already had his commitments from the British.

Mr. WEST. Yes.

Senator CONNALLY. Did you know he was going to get \$70,000,000 worth of business?

Mr. WEST. I had no idea what he would get.

Senator CONNALLY. Did he tell you that?

Mr. WEST. How much he would get?

Senator CONNALLY. How much commitments he had. You asked him about the commitments. You said he had commitments from the British. Did he tell you how much commitments he had?

Mr. WEST. No; he didn't know at that time. Originally he thought he would get an order for about \$5,000,000.

Senator CONNALLY. He thought. You said he had commitments when you went with him, that he already had commitments, and that you didn't get him any contracts or commitments. Didn't you know what the extent of his commitments were when you went with him?

Mr. WEST. Senator, I did not.

Senator CONNALLY. You were advising him all the time?

Mr. WEST. I merely had his word as to what he represented to me that he might get.

Senator CONNALLY. Oh, might get. You said he had the commitments.

Mr. WEST. He told me he had the commitments, but whether he had them or not, I don't know.

Senator CONNALLY. Wouldn't you ask him? When a man is making a contract based on a percentage, expecting to get a percentage of what he is going to get, it looks to me as if—I know if you were a lawyer you would be thinking of how much that was going to amount to. You would have asked him how much commitments he had.

Mr. WEST. Yes; I did ask him that.

Senator CONNALLY. So that you would know whether you were going to make \$5 or \$500,000.

Mr. WEST. He expected to get an original order of \$5,000,000 from the British, so he told me.

Senator CONNALLY. Expected to? He didn't have any commitments if he just expected, did he? I am trying to get at the facts. I never heard of this thing until the other day.

Mr. WEST. As a matter of fact, I don't know. I merely took his word for it. He told me he had no money with which to pay me and wanted to know if I were willing to take a chance with him on the amount of business that he would get, and that was the arrangement.

Senator CONNALLY. What did he say? You had this contract with him; he was employing you. What did he tell you that he was employing you for?

Mr. WEST. To be associated with him, to advise him, and to counsel with him and help him in all matters pertaining to his business as it was affected by the regulations and procedures in Washington. I was to advise him—to be his adviser and consultant on problems growing out of the business that he had with the British and that he later hoped to have with the United States Government; but he made it very clear, Senator, that he did not have to have any help in getting his original contract with the British, that he had, as he believed, so he told me, a commitment for business with the British.

Senator CONNALLY. If you weren't basing your services on the expectation of your helping him get contracts, why should you base your compensation on a percentage? Why didn't you just tell him to put it on a salary basis, and he would have said, "We will pay you \$1,000 a month or \$15,000 a month." I can't understand why, unless a man were wanting to get some commissions on contracts, he would want to base his compensation on a percentage basis of what he is going to get.

Mr. WEST. Well, that was his proposal to me, sir, and I accepted it.

Senator CONNALLY. Of course, when you say the British, you try to differentiate that from our Government. Of course, there is a differentiation legally, but in this joint war effort, with the lend-lease, they are getting money from us largely.

Mr. WEST. Oh, this contract that he negotiated with the British was negotiated prior to the enactment of the lend-lease program—last November; yes.

Senator CONNALLY. When was the lend-lease passed?

Mr. WEST. I think it was in February. I am not sure of the exact date.

Senator CONNALLY. Well, irrespective of that lend-lease, it is a joint effort. Don't you think we ought to be just about as careful in dealing with the British as we would be with our own Government, under the circumstances?

Mr. WEST. I do, sir.

Senator CONNALLY. They are over here, more or less, and have to avail themselves of our markets and our processes, and don't you think we ought to be just about as careful shaking the British down as we would be shaking our own Government down? I am talking about Cohen now.

Mr. WEST. Well, very frankly, I don't think anyone should be shaken down any time for anything.

Senator CONNALLY. That is a beautiful generality.

Mr. WEST. I never regarded my relations with Cohen as a shake-down. I never sought out Cohen—he came to me.

Senator CONNALLY. I want to ask you this very frankly. I have sympathy with an ex-Congressman or for any ex-Senator—I will probably be one myself some day. But I can't help but believe that, not being a lawyer, what you were selling to Cohen was supposed influence and drag. I can't exclude it. I have been trying to find a hole to crawl out. And I want to know, if you weren't selling that, what you were selling?

Mr. WEST. Suppose he wanted to—

Senator CONNALLY (interposing). I am not talking about supposing—I am talking about the facts. What were you selling to Cohen if you weren't supposedly selling him with the idea—whether he believed it or not, I don't know—that you were close to the big shots here in the Government and that you could get him a lot of contracts.

Mr. WEST. What he had in his mind I don't know. I know what—

Senator CONNALLY (interposing). If you were going to take money from him and advise him, it was your business to find out what was in his mind. Are you going to make a contract with a man that might involve you in unethical practice without knowing what he had in his mind?

Mr. WEST. I know exactly what I had in my mind.

Senator CONNALLY. Why didn't you tell him what was in your mind?

Mr. WEST. I did tell him.

Senator CONNALLY. What did he tell you was in his mind?

Mr. WEST. He told me that what he wanted me to do was to be associated with him, to help him and advise him, and that is all I was supposed to do. That was my understanding.

Senator CONNALLY. Help him or advise him! He was trying to get contracts, wasn't he?

Mr. WEST. No. He said he already had—

Senator CONNALLY (interposing). Now, Mr. West, there isn't any use. You said awhile ago that he "expected," that he told you when you first made this trade with him that he "expected" to get \$5,000,000 from the British. Had he made his commitments with the British when you made your agreement with him or hadn't he?

Mr. WEST. He told me he had.

Senator CONNALLY. That he had how much?

Mr. WEST. He said he expected to get—

Senator CONNALLY (interposing). Expected? Do you call an expectation a contract?

Mr. WEST. Senator, I know only what he told me, and he said he expected to get—

Senator CONNALLY (interposing). It was your contract and it was your business to find out. Here you are with all this background of power and influence and campaigning around in connection with these departments. It looks to me as if you ought to be very cautious. You say you are not a lawyer, but you have some conception of the ethics, I am sure, whether you are a lawyer or whether you aren't. I just can't fathom what you were selling unless you were selling your supposed influence.

Mr. WEST. I consider my conduct with him quite ethical. I never considered I was improperly selling anything that I couldn't sell him for proper compensation. Now, if he had given me a 10 percent stock interest in his company and wanted me to be associated with him as adviser, I would share in the profits of that to the same extent or to a greater extent, and this is comparable to that. I didn't want stock in the company.

Senator CONNALLY. In the one case you get common stock; in this case you get preferred stock—cash.

Mr. WEST. That may be so.

Senator CONNALLY. You have a cash claim against the company for which all of its assets are responsible. When you get the amount, you don't figure increased dividends. If you took common stock, maybe you would get something and maybe you would get nothing. In all frankness, Mr. West, I have known you many years and like you. I don't like some of your activities. I thought you were supposed to go around here with your pockets full of "fluence," trying to tell Congress how to run things and all that. But irrespective of that, I like you and I hate to see you involved in this. But I can't resist the belief that you were selling your supposed influence with the Government to this fellow Cohen. With the Government sitting on one side of the table and Cohen on the other, if you looked at them both, I don't think you ought to have any doubt about which side you would like. I just can't resist the belief—and I am saying it to your face rather than to your back—that I think this kind of practice is reprehensible.

Mr. WEST. Senator, I appreciate your good will personally, as you know, and I admire your frankness in just saying bluntly, as you have, that you think this is improper.

I deny—and I say this to your face and to the members of the committee—just as firmly as it is possible for me to do that at any time did I seek to sell influence, or that I endeavored in any manner whatsoever to induce any Government official to do anything for me as a result of my prior acquaintance and association with him. I have a high regard for ethics, as a former Member of Congress, and I want to say that at no time have I ever appeared since my membership in the House of Representatives to represent anyone in any manner in regard to any matter that could be interpreted in any possible way as being lobbying before the Congress of the United States. I have that high regard for the membership in the legislative body of this country.

Senator CONNALLY. Lobbying up here is one thing and lobbying down in the departments is another. Up here we have stenographers to take it all down; in the departments they don't. I don't know what happens down there. I assure you I am not trying to take sides. I think we ought to have this man Cohen up.

The CHAIRMAN. He is on the list.

Senator CONNALLY. And we ought to search all of his pockets.

The CHAIRMAN. We are going to do just that.

Senator Mead, did you have a question?

Senator MEAD. Mr. Chairman—

Senator CONNALLY. Wait a minute; let me ask one other thing, if you will permit me. I wasn't here and I know nothing on earth about it. Some comment was made about Senator Joe Hill being connected with this thing. Would you mind telling me what connection he had with it? I will say I saw him here several months ago, but he never mentioned this matter to me, and I know nothing on earth about it. For my own information and for the record I would like to know. I would like to know what Senator Joe Hill had to do with this case.

Mr. WEST. So far as I know, he never had anything to do with it.

Senator CONNALLY. I thought you said that he paid you some money.

Mr. WEST. Oh, no; he advanced money to Mr. Cohen with which Mr. Cohen paid me and Mr. Cohen later paid Mr. Hill. In these early days Mr. Cohen didn't have any money. That is why he entered into this sort of arrangement.

Senator CONNALLY. Then, you don't know what the relationship of Hill—

Mr. WEST (interposing). As I said a moment ago, my understanding—

Senator CONNALLY (interposing). Did you ever confer with Hill or advise with Hill?

Mr. WEST. About this?

Senator CONNALLY. Yes.

Mr. WEST. No; he had nothing to do with it.

Senator CONNALLY. Why was he giving Cohen money?

Mr. WEST. State Senator Joe Hill was associated in some way with the Southport Refinery in the State of Texas.

Senator CONNALLY. Oh, yes.

Mr. WEST. And Mr. Cohen was interested in that.

Senator CONNALLY. I see

Mr. WEST. And State Senator Hill was here in Washington looking after the interests of this refinery. I never had anything to do with

that matter at any time, nor did I know in any way that Senator Joe Hill had anything to do with the Empire Ordnance.

Senator CONNALLY. That is all right.

The CHAIRMAN. We will ask Cohen all about that when he gets on the stand.

Senator MEAD. Mr. Chairman, I think the witness raised a very good point when he suggested that he thought out of this investigation some permanent legislation should follow that would govern matters that we are now investigating, but to help me arrive at a proper conclusion, and I believe that some uniform legislation ought to be enacted, would you say that your service was rendering legal service—and I don't believe it is necessary for a man to be a lawyer—to render service—or was it rendering service as a result of your experience and your knowledge of procedure and of, we will say, locale? Would you say that?

Mr. WEST. Oh, I think yes; unquestionably my ability to advise people in regard to Government procedure is the result of many years of experience in Government and the expenditure on my part of a great many thousands of dollars in being here and being a Member of Congress.

Senator MEAD. Then there is a little difference between influence and what might be termed knowledge and experience.

Mr. WEST. Certainly, Senator. I think there is a very great difference between those two things.

Senator MEAD. Now, breaking that down a little further, do you believe that a Democratic Representative in Congress with a number of years of experience, with either a law degree or no law degree, would be influential appearing, we will say, before the Army or the Navy or the O. P. M. or Ships, Inc., or any of those agencies that, just for the record, we will say, are headed by Republicans—would a Democrat be the natural employee of somebody that just wanted influence?

Mr. WEST. I think you are absolutely right, that he would not be the logical person. As a matter of fact, Senator, it is a detriment to an individual who has been a Democratic Member of Congress to attempt to use influence in the departments.

Senator MEAD. It is my understanding that these men who are at the heads of these procurement agencies or contract distributing agencies have instructed those under them to ignore influence in the matter of contract distribution.

Mr. WEST. I understand that to be the case.

Senator MEAD. I think, to the benefit of the administration, it should be said in the record, lest we get this word "influence" mixed up, that the heads of these departments are not of the same political faith that those who are being accused of using influence happen to be.

Mr. WEST. That is right, Senator.

Senator MEAD. Well, now, in view of the fact that 56 firms have 75 percent of the defense business, and having no regard for the political affiliation of those who represent the 56 firms, but it is true that they maintain representation here in Washington in wartime and in peacetime.

Mr. WEST. That is right.

Senator MEAD. And it is true that they have dinners and luncheons and various other methods of entertainment for their representatives

and their salesmen and at times for representatives of the departments of government. Now, has anybody ever criticized those 56 firms for the method and the type of representation they have here in Washington?

Mr. WEST. No. I have never seen any criticism of that, Senator.

Senator MEAD. All right. Now, in any uniform law that ought to be considered.

Mr. WEST. Exactly.

Senator MEAD. All right. Now, then, there are 200,000 firms in the United States employing 45 percent of the workers who are left out of this defense program. How are they going to get into it unless they employ somebody, not necessarily with influence—I am against that—but how can they get into this picture unless they employ somebody, and if perchance, even though the department heads are of the other political faith, which probably is a very, very good thing, how can they employ somebody with knowledge, with experience, if we set up a uniform law that might work a hardship on them? Shouldn't we take into consideration the 200,000 firms who are clamoring to get into this defense program and who are not yet into it when we decide on a uniform law governing representation of firms here in Washington?

Mr. WEST. I think we should.

Senator MEAD. All right. Well, now, we have congressional committees at work investigating and expending considerable money trying to find out why these firms cannot participate in the defense program, why they are being put out of business constantly. The chambers of commerce are here, representatives of small business are here in Washington, and the Congress itself is giving a great deal of attention and time to it. Now I believe, with you, that we should have uniform legislation, but we ought to go into the over-all picture and find out how the big firms get the business, and find out why the little firms do not get the business before we add to the dilemma in which we find ourselves. I have only been here since the Harding administration, and I have seen what is called "influence," or what might be called experience or knowledge at work in the Harding administration, in the Coolidge administration, in the Hoover administration, and now in the Roosevelt administration, but I have never seen a set-up as far above reproach and as much to the credit of the administration as this administration. Long before there was any remote possibility of war, these organizations, Ships, Inc., the War Department, the Navy Department, the Maritime Commission, the O. P. M. and all of its agencies, were practically placed under the authority and the direction of those of opposition political faith; therefore, I think we want to be very careful when we use the word "influence" as to whether or not it is influence or knowledge and experience, as to whether or not the influence that you possess, for instance, would be helpful or harmful, lest in the enactment of an over-all law we make another mistake and add to our dilemma.

Mr. WEST. I agree with you absolutely on that.

Senator CONNALLY. Senator Mead, will you permit me to ask a question or make an observation?

Senator MEAD. Sure.

Senator CONNALLY. Talking about the O. P. M., the dollar-a-year men, I think the dollar-a-year business is all wrong. Nobody in the Government of the United States ought to ask anybody to work for

nothing, and they oughtn't to ask the United States for the privilege of working for nothing; they ought to pay them if they are worth it, and if they aren't don't take them. This business of rushing down here and volunteering for nothing is all wrong. We don't like to have them under the temptation of picking up what is lying around. That is all.

Senator MEAD. I believe, Mr. Chairman, that we ought to have an agency of Government that would do the work that is sometimes being done by men who have experience and knowledge of procedure. I believe that we ought to have an agency here that would guide and direct small business so they could get into this defense program. Thousands of them are being put out of business, and other thousands or hundreds are trying to employ men who know Washington, who have experience and knowledge, in an attempt to bring them into the defense program.

Mr. WEST. Something like that is the solution to the problem, and that is the only solution that we can get.

Senator MEAD. I believe that if all these representatives of industry were here and were called upon to register, were directed by legislative enactment, that would prevent such criticism as is occurring at this time, that we might open up this contract distribution program and at the same time prevent the necessity of men coming to Washington trying to find their way around in the dark and employing somebody who has some experience and finding out that he hasn't any influence. I think that the defense set-up, so far as the major departments of the Government are concerned, is all right, but I do not believe that the avenue has been opened for the 200,000 small industries and plants and manufacturers of the Nation to participate in it, and they are clamoring to get in, and sometimes they are making a mistake in the method that they adopt. Therefore, a set-up here, a set-up in Washington, that would open up the avenue that would make it ethical for their representatives to participate in the distribution of contracts is really necessary right now.

Mr. WEST. I regard that as highly necessary right now.

The CHAIRMAN. Do you have any more questions, Senator?

Senator MEAD. No.

The CHAIRMAN. Senator Herring?

Senator HERRING. No.

The CHAIRMAN. Mr. Fulton, do you have any questions?

Mr. FULTON. As I understand my examination of your sworn testimony and in the examination before trial, Mr. Cohen, when he first talked to you, didn't have to ask you to find out what his difficulties were in the War Department; he knew what they were, didn't he?

Mr. WEST. Yes; Mr. Cohen had told me what he thought was the matter. He thought that it was the difficulty in his organization set-up and mentioned different things about it.

Mr. FULTON. Particularly the people in the War Department who, although they weren't giving the contract, had to give the clearance for funds, thought that it was a stock-rigging or promotion scheme. Did he mention that?

Mr. WEST. Yes; that was one of the things that he thought might be the difficulty.

Mr. FULTON. Now, in that connection, did he name the persons or figures that he had in mind who were suspected on the ground of stock promotion by these persons in the War Department?

Mr. WEST. Did he name people in the War Department?

Mr. FULTON. No, no; the people in his own organization.

Mr. WEST. That were——

Mr. FULTON. That were the cause of the War Department having this opinion that it was a stock-rigging or possibly a stock-rigging matter?

Mr. WEST. Yes; he mentioned several people in that connection and mentioned the fact that possibly his use of stock that he possessed as a part of his organization financing was at the bottom of his difficulty.

Mr. FULTON. What people did he mention?

Mr. WEST. I may say that all this is vague because I knew nothing about his financial associates nor his financing program, that is, for his own organization.

Mr. FULTON. But this was the problem that he had to get cleared, the problem of his associates.

Mr. WEST. It subsequently developed that the thing that he had to get cleared was the nature of his program, the financing of it, the backing that he had, and convincing the officials of the Government that he had trained personnel and that he had financial backing, and of the right kind, and that it was not merely a Wall Street proposition, as he put it.

Mr. FULTON. That was what in your testimony he indicated he told you was his principal problem.

Mr. WEST. That is right.

Mr. FULTON. Quoting you, you said that he told you that——

The difficulty in Washington was that certain people there felt that he was merely a stock promoter and that he needed someone who could present his matter in a right light to the people in Washington, and that I could name whatever figure I wanted to name as my compensation for this.

Mr. WEST. That is right.

Mr. FULTON. Now, at that point, you were not a lawyer, were you an accountant?

Mr. WEST. No.

Mr. FULTON. Had you been a financier?

Mr. WEST. No.

Mr. FULTON. And prior to your Government connections what business situations had you been in? What was your business?

Mr. WEST. I was not in any business.

Mr. FULTON. Now, you agreed, as I understand it, to go to Washington and present this problem. Before doing that, did you ask him what his financial set-up was?

Mr. WEST. Yes. I asked him to prepare for me a memorandum with reference to his proposition that I could use for my own information for the purpose of determining what his difficulty was.

Mr. FULTON. And did he give you a memorandum showing his financial set-up?

Mr. WEST. No; I was never given that.

Mr. FULTON. Did you ever find out before going to Washington?

Mr. WEST. No; I came here and made inquiries, as I have indicated before, to find out what the trouble was. When I discovered

that it involved the character of his organization, the nature of his personnel, and the character of his financial backing, I recommended to Mr. Cohen that he correct, in the proposition that he was submitting for clearance, any weak parts or correct the things that were objectionable and go directly with Mr. Dowd, the president, and sit down frankly with Government officials and work out his problem in accordance with their wishes.

Senator MEAD. If I may ask, Mr. West, who is this Mr. Cohen. I don't seem to place him, and I wasn't here at the beginning of your testimony.

Mr. WEST. He is Frank Cohen, of New York.

Senator MEAD. And what business has he been in?

Mr. WEST. He is now with the Empire Ordnance Corporation of New York City.

Senator MEAD. Are you with him still?

Mr. WEST. No; I am not with him any more, have not been for several months. That is the company that I am suing for compensation.

Senator MEAD. Well, I for one, as a member of this committee, and I know this is true of the whole committee, don't want to play any favorites at all. We want to go to the bottom of every case that comes before us, but in the over-all sizing up of the situation I think we ought to try to make a contribution to the elimination—we have had half a dozen of these emergency periods, war crises, and in all of them we have investigations; I understand we had 116 investigating committees created after the last World War. We want to go along with this effort and stop the necessity of investigations after the war is over.

Mr. WEST. I agree with you absolutely. These things should be scrutinized now. We could keep our record clear as we go along.

Senator MEAD. That is what this committee wants to do, but in addition to that, I think that we ought to have a set-up here in Washington that would require the registration of everybody who comes here to represent any business whatever. I think we ought to have in that set-up adequate facilities to give to little business that representation which big business now enjoys; and then we would spread out this defense program and we would get it honest from top to bottom, and to keep it honest is the major function of this committee, one that I want to take a leading part in.

Mr. WEST. It seems to me, Senator, there is a proper place for representation of small companies in this defense program to aid small companies in understanding how they should deal with the Government and what they should do about Government procedures, and if small business in this country is not afforded those facilities that are available to a few big business concerns, in my judgment the backbone of the industrial strength of this country will be broken, because little business can never survive such an emergency without such form of helpful assistance.

Senator MEAD. Little business seems to be in a concentration camp right now, and a good deal of that is due perhaps to priorities, and some of it may be due to the fact that these industrial giants that are directing the emergency defense agencies have never gotten over the fact that they have been fighting little business as a nuisance com-

petitor all their lives. Now, in any consideration which this committee gives the problem of regulating or preventing representatives of business from coming to Washington and approaching any of these procurement heads, we ought to have in mind the problem of small business, and that is the point that I made a while ago, and that is the point I want to reiterate again, and that is the point I hope that we will drive home successfully before long. The O. P. M. set up under its own authority, an agency to look after small business. Well, it was merely theoretical.

The CHAIRMAN. It was window dressing.

Senator MEAD. It was window dressing. Then the President, by Executive order, created the Contract Distribution Division, and he gave it the power and dignity of an Executive order, and it was a step in the right direction, and they are doing a little better than they were doing before when they were just an orphan of the O. P. M. But we haven't gone far enough in that direction, and the question of representation before the departments for little business, and intermediate business; and the question of breaking up these contracts is, in my judgment, the biggest problem now before those who are anxious to expand defense that we are concerned with.

Mr. WEST. As a matter of fact, this concern in the beginning was small business. It was not big business when it started, and it had no financial resources, and the very fact that this arrangement for compensation for me was made was because these people had no money to pay for this kind of service at all, and I was willing to take a chance of going along with them and sharing with them in this way because I thought there was a genius there. I knew one of the men involved in it, a Mr. Bert Quarrie, from Cleveland, who was their chief engineer. I knew that their technical personnel were good, were the best that they could secure, and I felt convinced that this group could step in and do a job for the British Government that would react to the benefit of our own defense program; and because they had no money to pay, they couldn't even pay salary, they couldn't even pay any compensation of any kind, I felt convinced there was merit to their proposal and I agreed that I would be associated with them and share in their profits to this extent. Now, it has resulted that instead of getting a small amount of business they have gotten a great amount, and the compensation runs to a large figure. That is the whole explanation of it. If they had gotten no business I would have gotten no compensation, or if they had gotten only a small amount of business there would have been small compensation. But small business in this country has no way of finding out where to go and what to do and how to do business with the Government of the United States. They can't afford, in the first place, to have highly paid Washington representatives, and because of their lack of knowledge of Washington conditions they become the victims of those who would exploit this emergency for their own personal gain, and get into the clutches of people who are totally devoid of ethical consideration in this matter.

Senator MEAD. Well, to give them adequate representation and to keep the defense program from justifiable criticism and condemnation is the job of this committee. In other words, we want to keep it on the up-and-up, as it were.

Mr. WEST. I am completely in accord with that, and I hope, sir, that this committee will find a means of accomplishing that objective.

Senator MEAD. But we are not going to do it if we just go along in this emergency as we have in other emergencies without doing anything over all about it, just letting every problem come up and take care of itself.

Mr. WEST. It is too big a thing. You can't just handle each individual instance in this matter and give as much attention to each individual instance.

Senator MEAD. We need a big over-all agency of the Government to see to it that very firm and every industry in the country that wants to participate, should participate, has representation here, even if it is representation furnished by the Government.

Mr. WEST. I agree with you absolutely.

Senator MEAD. It must be on an ethical, honest representation, and it must be complete with all of the experience and all of the knowledge necessary so they can get in and participate in the picture and do it honestly.

Mr. FULTON. Well, Mr. West, I have a few questions to ask you, largely based on your own sworn testimony a week ago today. Before asking those, I believe I will refresh your recollection by reading a few of these answers which you gave, and then take the subject up categorically by question. Quoting you:

I saw certain people that I thought could present this matter to the officials that had jurisdiction over Cohen's matter for the purpose of vouching for him or clarifying his picture by convincing them that Cohen was able to do this; that he had a group of men about him, of technical experts and experienced engineers, who could do this program, could do this work that he wanted done, to perform this contract with the British, and with a view of persuading them to give the clearance that was necessary from our Government before the British would enter into negotiations with him. I do not wish to mention particular names in connection with that matter. The job was done. The clearance was secured. Almost immediately Cohen was able to secure a very favorable conference at the Ordnance Department.

You said you talked with "probably four people," and then you advised Cohen "to go with Mr. Dowd to the Ordnance Division and to see the officials," apparently that you were referring to earlier.

Now, the specific question was asked you: "It is your opinion, I presume, is it, that this change of heart in the War Department was secured by your talk with the people in the Department?" To which you answered, "Definitely."

Do you recall that line of questioning and those answers?

Mr. WEST. Yes; I do.

Mr. FULTON. And they were true?

Mr. WEST. That is right.

Mr. FULTON. And given under oath?

Mr. WEST. That is right.

Mr. FULTON. Now, you have told us that Mr. Cohen knew what his problem was, namely, a matter of the unwillingness of the Ordnance Department to clear a contract that they thought might involve stock-rigging or promotion schemes. You have told us, I believe, that you yourself had no financial accounting or legal experience, indeed any knowledge of this financial set-up.

Mr. WEST. That is right.

Mr. FULTON. So that when you went down there you were not going down there for the purpose of doing a lawyer or an accountant or other type of job of explaining the facts as to his actual financial set-up, were you?

Mr. WEST. No, sir.

Mr. FULTON. You say here—

I saw certain people that I thought could present this matter to the officials that had jurisdiction * * *.

Now, who were those people?

Mr. WEST. I simply went in there, in the first instance, to find out what the problem was, with this purpose in mind.

Mr. FULTON. First, where's "there"? "I saw certain people," where?

Mr. WEST. I said a few moments ago that I went into the War Department to find out what the problem was. When I discovered—

Mr. FULTON (interposing). No, no. I wasn't referring to that, Mr. West. I was referring to your sworn testimony that you saw certain people that you thought could present this matter. Now, who were they?

Mr. WEST. These would be the people in the Ordnance Division who would receive applicants for this sort of thing and would report to their superior officers regarding the merit of the proposition. I simply went in—that thing speaks for itself.

Mr. FULTON. I still think you misunderstand me. I am quoting your sworn testimony: "I saw certain people that I thought could present this matter to the officials that had jurisdiction." Now, I am not talking about the officials; I was going into that next, but who were the people that you saw that you thought could present it to the officials?

Mr. WEST. I have already made a statement with reference to that, that I saw the parties in the Ordnance Division who would know about the proposition of the Empire Ordnance Corporation for the purpose of determining what their difficulty was and with the intention of explaining to them what I had been told by Mr. Cohen about his proposition, in the expectation that they in turn would give that information to the appropriate officials in the War Department who would have jurisdiction over this matter. When I discovered, however, what the difficulty was, I reported back to Mr. Cohen, recommended to him—

Mr. FULTON (interposing). You are skipping ahead to another point.

Mr. WEST. No; I am not skipping ahead. I recommended back to Mr. Cohen—

Mr. FULTON (interposing). Would you confine your answer to the particular question?

Mr. WEST. I have already answered that in that record.

Mr. FULTON. Then if you have answered that, let's put yourself back in the hotel with Mr. Cohen. You left the hotel, and you went to the War Department, to the building of the War Department. Is that it?

Mr. WEST. Why, I would suppose so; yes.

Mr. FULTON. Just to refresh your recollection: You are now entering the door. Whom did you ask to see? How did you proceed?

Mr. WEST. I have no recollection at all as to whom I saw specifically at that first instance or where I went.

Mr. FULTON. How did you get into the War Department? To whom did you apply for admission?

Mr. WEST. I have already said that I consulted with a friend of mine in the War Department, a Gen. Benedict Crowell, and asked him about information in connection with the handling of such a matter for the mere matter of learning for myself what had to be done.

Mr. FULTON. Was it General Crowell that you meant when you said, "I saw certain people who could present this matter to the officials"? Did you have in mind that General Crowell should present this matter to the officials?

Mr. WEST. Certainly not. I made it clear that I went to him to seek information about the status of this matter, and to find out what should be done.

Mr. FULTON. Then, Mr. West, General Crowell had nothing to do with the answer to the question I am asking, which is, who in the War Department did you see for this purpose of having that man go to the officials that had jurisdiction?

Mr. WEST. I went to the War Department for that purpose.

Mr. FULTON. No; whom did you see?

Mr. WEST. When I went to the War Department?

Mr. FULTON. Pardon me, but the only answer to my question is a name.

Mr. WEST. I don't recall the names of the people that I saw aside from General Crowell, for the simple reason that I did not take up the matter there myself in person, but recommended to Mr. Cohen that he and Mr. Dowd go personally to the War Department and present their own proposition.

Mr. FULTON. That comes later in your own sworn testimony. Now, when you swore a week ago today that you saw certain people that could present the matter to the officials that had jurisdiction, that was a true statement, wasn't it?

Mr. WEST. Certainly.

Mr. FULTON. Who are those people?

Mr. WEST. I say I have no recollection of the names of the people that I saw aside from this one gentleman whom I have mentioned.

Mr. FULTON. And you say that you didn't see him in connection with this particular testimony because he isn't one that you asked to go to the officials that had jurisdiction, is he?

Mr. WEST. I have made clear what I did.

Mr. FULTON. All right.

Mr. WEST. I went to the War Department to find out what this problem was with the expectation of doing there what I said I was going to do. I got information as to what should be done, reported it back, and advised Mr. Cohen and Mr. Dowd to go to the War Department themselves and present their whole program, and at no time did I go with Mr. Cohen and Mr. Dowd to seek the thing that they were requesting the War Department to grant them.

Mr. FULTON. Although you now say you don't remember the names of even so much as one of these people?

Mr. WEST. They were subordinate officials whom I saw and asked about the status of this matter. I was seeking information. I was not going there to seek influence. I was not going there particularly to see someone I knew whom I could induce by previous acquaintance to do something. I went in as any ordinary citizen ought to be able to go in and talk with officials of the Government and get information which is a matter of public record, and that is all I did.

Mr. FULTON. Have you anything to add?

Mr. WEST. No.

Mr. FULTON. Now, going back specifically to the question—and I wish you would, for purposes of conserving time, confine yourself to answering the questions asked—you said here that you saw certain people that could present this matter for the purpose of vouching for Cohen. Now, you were going to see a person, not according to this testimony to ask for information, but for the purpose of having that person approach the officials who had jurisdiction, using your own words, “for the purpose of vouching for him.” Now who?

Mr. WEST. I went for that purpose.

Mr. FULTON. Whom did you ask to vouch for Mr. Cohen?

Mr. WEST. I didn’t ask anybody to vouch for him.

Mr. FULTON. Then this testimony you gave a week ago under oath was false.

Mr. WEST. It is not, sir. I went with that intention, to find out about this case.

Mr. FULTON. Well, we will go on.

Mr. WEST. May I make this statement, Mr. Chairman, that this is unverified testimony in a preliminary examination and is not yet a matter of record in any court.

Mr. FULTON. With respect to that testimony, you entered into a stipulation, did you not? Do you consider that the testimony you gave could be false because you say it was not under oath as yet?

Mr. WEST. No; certainly not. I was examined by an attorney representing Mr. Cohen, and in that testimony that is referred to.

Mr. FULTON. You said in your testimony that you talked with probably four people in the Ordnance Division; you don’t recall the name of one?

Mr. WEST. I imagine I talked with that many in trying to find the right person to talk to. I have sometimes talked with a dozen people before I would get to the right person who would know information about a matter.

Mr. FULTON. When you were asked whether it was your opinion that the “change of heart,” to use the exact quotation, “was secured by your talk with the people in the Department,” you answered, “Definitely,” and you told me last night you didn’t wish to change that.

Mr. WEST. I would stand on that to this extent, that my efforts in finding out the status of Mr. Cohen’s matter, in talking with these officials, getting the information as to the nature of his problem, and advising him what to do to handle his problem, how to correct objectionable features of his proposition, and advising him and Mr. Dowd to go back to the War Department and deal directly with the officials brought about a change of heart on the attitude of the officials, and Mr. Cohen got the clearance. Now that is a simple explanation of what happened.

Mr. FULTON. But you told me last night, did you not, that you didn't know enough about Mr. Cohen's financial affairs to tell the War Department what they were and that you didn't discuss those?

Mr. WEST. I certainly did not because I advised Mr. Cohen to go down and discuss his own financial affairs with the people that had jurisdiction over his matter. I don't know, I wasn't in a position to know, either the technical features of Ordnance, the financial structure of his organization, nor any of the details that they wanted to know, and I recommended to Mr. Cohen and Mr. Dowd that they go directly and deal in person as the official representatives of their own company with the officials of the War Department and get the clearance, and that, in my judgment, was the proper thing for them to do and that was advice that I gave them; they acted upon it, and subsequently got the clearance that they sought.

Mr. FULTON. So that all that you did was, in effect, to introduce them to the officials of the War Department. Is that correct?

Mr. WEST. My association with Cohen was not directed at the performance of one specific thing or another specific thing. I hope I have made it clear in previous testimony that I was induced by an offer of compensation to be associated with him for the purpose of advising him throughout the whole course of his activities in connection with the defense program.

Mr. FULTON. And your advice, according to your testimony this morning, amounted simply to telling him to go do it himself. Isn't that right?

Mr. WEST. In that instance I advised him to do just that.

Mr. FULTON. Now, you said, I believe, to Senator Brewster, that you didn't know these men in the Ordnance Department before. Do you wish to correct that statement?

Mr. WEST. I don't recall who the people were that I talked with at that particular time.

Mr. FULTON. But you did recall last night.

Mr. WEST. I talked with one gentleman.

Mr. FULTON. You recall talking with me last night.

Mr. WEST. Oh, certainly.

Mr. FULTON. And do you recall telling me that you did know the men in the War Department before you went over there—that you had previously known them?

Mr. WEST. I don't recall that I made such an assertion that I knew them specifically. I knew where to go.

Mr. FULTON. You don't remember that I wrote down on this sheet of paper in your presence and read to you that statement?

Mr. WEST. You wrote down—you asked me who all I had seen at all times in connection with Mr. Cohen's matters, and I mentioned a number of people. I have already stated the names of some of them.

Mr. FULTON. Wait a moment, Mr. West. You told me you preferred not to mention them.

Mr. WEST. I said, yes, that I preferred not to mention names, and I will say that again now.

Mr. FULTON. And after pressing you for those things you didn't give them to me, at which point I wrote the word "refused" at the side of this paper.

Mr. WEST. I did mention some names to you.

Mr. FULTON. But not the names of the people that were referred to in this question that I have just been asking.

Mr. WEST. The four people.

Mr. FULTON. The people that you saw and asked to vouch for Cohen. Those two questions.

Mr. WEST. No; I didn't mention any names to you.

Mr. FULTON. Didn't you agree with me last night that all that they had done—that this change of heart, as you termed it, was because you knew them and they knew you, and they changed their minds; and you and I——

Mr. WEST (interposing). If that conclusion is drawn from what I said, it is an unwarranted conclusion.

Mr. FULTON. But you agreed with that last night, did you not, because I told you I thought it was a very serious thing for you to be saying?

Mr. WEST. I made no statement that was designed to substantiate that conclusion that one little thing I did resulted in such an accomplishment. No; I didn't intend to say anything like that at all.

Mr. FULTON. That is all.

The CHAIRMAN. The committee will recess until 10:30 tomorrow morning, when we will hear Mr. Cohen.

(Whereupon, at 12:40 p. m., the committee recessed, to reconvene at 10:30 a. m., Thursday, December 18, 1941.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

THURSDAY, DECEMBER 18, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:35 a. m., pursuant to adjournment on Wednesday, December 17, 1941, in Room 318, Senate Office Building, Senator Harry S. Truman, presiding.

Present: Senators Harry S. Truman (chairman); Tom Connally, James M. Mead, Clyde L. Herring, Joseph H. Ball, and Ralph O. Brewster.

Present also: Mr. Hugh A. Fulton, Chief Counsel; Mr. Charles P. Clark, Associate Chief Counsel.

The CHAIRMAN. The committee will come to order. Mr. Cohen, will you please be sworn?

Do you solemnly swear that you will tell the truth, the whole truth, and nothing but the truth, in the testimony you are about to give before this committee, so help you God?

Mr. COHEN. I do.

TESTIMONY OF FRANK COHEN, NEW YORK CITY

The CHAIRMAN. Mr. Cohen, will you please give the reporter your full name and connections?

Mr. COHEN. Frank Cohen, 521 Fifth Avenue, New York. Mr. Chairman, may I have Mr. Dowd, the president, and Mr. Voyes, the secretary of our company, sit here with me?

The CHAIRMAN. There is no objection to that.

Mr. COHEN. Mr. Dowd has a statement which he wanted to present to you, Mr. Chairman, and asks for permission to make this statement.

The CHAIRMAN. I didn't hear you.

Mr. COHEN. Mr. Dowd has a statement here which he would like to present to you and distribute to the members of the committee, if you would allow.

The CHAIRMAN. Mr. Dowd wants to outline that statement and put it in the record? It will be all right. Have you been sworn, Mr. Dowd?

Do you solemnly swear that you will tell the truth, the whole truth, and nothing but the truth, in the testimony you are about to give before this committee, so help you God?

Mr. DOWD. I do.

TESTIMONY OF BENJAMIN S. DOWD, PRESIDENT, EMPIRE ORDNANCE CORPORATION

The CHAIRMAN. Mr. Dowd, if you will give your full name and connections to the reporter.

Mr. DOWD. Benjamin S. Dowd, president of the Empire Ordnance Corporation. Mr. Chairman, I would like to submit this brief statement to the committee.

The CHAIRMAN. You can state it for the benefit of the record, just what the statement contains.

Mr. DOWD. May I read it, Mr. Chairman?

The CHAIRMAN. How long is it?

Mr. DOWD. Two pages.

The CHAIRMAN. All right.

ORGANIZATION AND OPERATIONS OF EMPIRE ORDNANCE CORPORATION

Mr. DOWD. Empire Ordnance has built and is operating the largest independent group of companies exclusively manufacturing ordnance in the United States. Its business is the making of cannon for the defense program—not brokerage, and it never has employed any broker, not even Charles West.

The company and its affiliates has never paid out one penny in commissions or fees to obtain a single contract. We will place conclusive evidence before this committee that Charles West never had any agreement with Empire Ordnance or any of its associated companies to secure orders, or attempt to secure orders, from any source whatsoever.

Empire Ordnance and its affiliated companies never had, nor has now, one cent of United States defense money, either from the United States Government or any of its financial agencies. Even for its enormous expansion program, which was accomplished in record time and involved several millions of dollars for plants and machinery, Empire did not make application to governmental agencies established for that purpose.

In fact, when Empire purchased the stock of one of its affiliated companies, the Vulcan Iron Works, it paid off an R. F. C. loan balance of \$150,000 which Vulcan previously had obtained, despite the fact that it was not yet due.

When it first became apparent that there would be need for large-scale production of ordnance in the United States, the officers and stockholders of Empire Ordnance didn't wait for Government funds, as many others did. While others marked time waiting for Federal financial assistance, these pioneers raised their own capital, bought machinery, built plants, and started manufacture. As a result, the United States now has available and in operation the only organization—not even excepting its arsenals—which can, and does, turn out a complete cannon from start to finish. Yet all this has not lost the taxpayers of this Nation a single dollar.

Due to the foresight, unselfishness, and patriotism of these pioneers, this Nation is now better equipped to meet the challenge of foreign madmen.

Not only did officers and stockholders of Empire Ordnance invest their own funds, but at no time have they taken out of their in-

vested capital or earnings a single dividend. Every cent has gone back into the business—the business of creating matériel with which to fight the enemies of democracy.

Officers draw only modest salaries, although their arduous duties last far into the night. Empire Ordnance, to step up production for the “arsenal of democracy,” has been on a 24-hour 7-day week for the past several months. Its several thousand employees receive in excess of \$150,000 in pay roll each week.

The only contract Empire Ordnance had with the United States Government was for overhauling and repairing certain naval guns. It amounted to less than \$200,000, and was awarded on open bids. The contract was completed to the satisfaction of the Navy Department, and many of the guns are now in action against the enemy.

The Empire Ordnance Corporation has been, and is now, exclusively engaged in the manufacture of tank guns and their component parts for the British.

The corporation is a Delaware corporation and was organized in May 1940. Raymond Voyes has been Secretary of the corporation, Frank Cohen, treasurer, and myself president since its inception. A group associated with Willys-Overland Co. was among the original organizers. Their connection with Empire Ordnance continued for a short time after the company's incorporation.

Mr. Raymond Voyes served in the French Army during the World War, where he distinguished himself as a pilot. After the World War he was associated with Swedish gun manufacturers, Bofors, in the manufacture of ordnance, and subsequently spent many years as a technical expert in the aviation industry.

Mr. Frank Cohen has been engaged in finances for many years.

With these men, and their associates, we built the Empire Ordnance Corporation and its affiliated corporations. These organizations are now all producing ordnance, consisting of the 75-mm-tank gun, the recoil mechanism for the 75-mm-tank gun, the mounts (carriage) for the 75-mm-tank gun, and also machining heavy armor plates for the M3 and M4 tanks.

(The allocation of this work is as follows:)

Empire Ordnance Corporation is located in Philadelphia, Pa., where it is actively engaged in the manufacture of gun tubes for the 75-mm. cannon, and also in the manufacture of breech rings and breech blocks for the same gun.

The West Pittston Iron Works, located in West Pittston, Pa., is engaged in machining and drilling armor plate for the M3 and M4 tanks.

Wissahickon Tool Works, Inc., located on the west side of the Schuylkill River, Philadelphia, Pa., is engaged in the manufacture of recoil mechanisms for the 75-mm. cannon.

Wilkes-Barre Carriage Co., located at Wilkes-Barre, Pa., is engaged in the manufacture of complete mounts for the 75-mm. tank cannon.

Schuylkill Manufacturing Co., located on the west side of the Schuylkill River, is engaged in the overhauling and repairing, and assembly of guns.

Vulcan Iron Works is located in Wilkes-Barre, Pa., where it is engaged in the manufacture of locomotives, steam engines, steel castings, and general foundry work. This company has been established for about 100 years.

Manayunk Forging Corporation is located in Philadelphia, Pa., where it manufactures forgings for gun tubes, breech blocks, breech rings, and other steel material for ordnance.

Roxboro Steel Co., located in Philadelphia, Pa., makes electric melt steel and ingots for ordnance. This steel is a special alloy steel, which must meet the very high physical requirements demanded in ordnance manufacture.

Ordnance Instrument Corporation is located at the Bush Terminal in Brooklyn, N. Y., where it is engaged in the manufacture of optics for telescopic sights and other firing-control instruments.

Mr. FULTON. Mr. Dowd, I understand you are the president of the Empire Ordnance Corporation.

Mr. DOWD. That is right.

Mr. FULTON. And 10-percent stockholder thereof, together with members of your family?

Mr. DOWD. That is correct.

Mr. FULTON. How much capital contribution have you made for that 10 percent?

Mr. DOWD. I have made very little because I have a big family and it takes all my earnings for them.

Mr. FULTON. Have you made any, and if so approximately how much?

Mr. DOWD. I have made no money contribution to the corporation.

Mr. FULTON. And what is your estimate of the equity or present equity value of the stock of the Empire Ordnance?

Mr. DOWD. That is hard to tell because the contracts we have, we don't know whether we are going to make a profit or not, until the contracts are finished. At the present time I would say the profits are nil.

Mr. FULTON. What do you carry the assets on your balance sheet?

Mr. DOWD. I prefer to refer that to Mr. Cohen, the treasurer, who has charge of our financial affairs.

Mr. FULTON. Could you tell me, Mr. Cohen?

Mr. COHEN. As of what date do you want?

Mr. FULTON. Any reasonably recent date.

Mr. COHEN. The basic capital of these companies is about \$225,000, paid in.

Mr. FULTON. My question is how much do you have as assets?

Mr. COHEN. Today if they can help us lick that Hitler it is worth millions; if they can't it is worth nothing.

Mr. FULTON. At what do you carry it on your most recent balance sheet?

Mr. COHEN. The assets run to about six or seven million dollars.

Mr. FULTON. And what are the liabilities carried on that balance sheet?

Mr. COHEN. Probably about seven or eight hundred thousand dollars less.

Mr. FULTON. So that you carry now an asset over liabilities position of about \$700,000?

Mr. COHEN. It is hard to get the exact dates. Ross Brothers & Montgomery are just finishing the statement and that ought to be ready in about a week, as of July 31. It takes us months before they catch up. Our own run-off is of October 31, and I imagine would show about eight or nine hundred thousand dollars capital.

Mr. FULTON. That is eight or nine hundred thousand dollars which you estimate now the assets of the company exceed the liabilities?

Mr. COHEN. I imagine so.

Mr. FULTON. And Mr. Voyes, you hold an office in the company, do you?

Mr. VOYES. I do; yes, sir.

Mr. FULTON. And what is that?

Mr. VOYES. Vice president and secretary.

Mr. FULTON. And you also have a stock interest?

Mr. VOYES. I do.

Mr. FULTON. Of what percent?

Mr. VOYES. Ten percent.

Mr. FULTON. And for that what capital contribution did you make?

Mr. VOYES. In cash? None.

Mr. FULTON. Mr. Cohen, you hold a 15-percent stock interest in the company, do you not?

Mr. COHEN. Yes; 15 percent common stock.

Mr. FULTON. And your wife a 10 percent?

Mr. COHEN. Yes; and my son 5 percent.

Mr. FULTON. And an organization known as the Esco Fund?

Mr. COHEN. Fifteen percent.

Mr. FULTON. Which was organized by you, I believe, as a contribution to charitable societies of a part of your percentage, or how would you characterize it?

Mr. COHEN. If you will let me explain that to you I will tell it to you.

The CHAIRMAN. Proceed.

Mr. COHEN. I was not interested in ordnance. I was asked to help some who were interested in ordnance to work together and set up a corporation which would be of help in fighting Hitler. I have been doing it since 1933. In 1933 I paid for quarter-page ads in the newspapers on my own behalf, requesting that, first, the United States should not send any ambassador to Germany; second, that the United States should not recognize Germany—if you will let me read one of these.

Mr. FULTON. I was not so much interested in your advertising in 1933 as I was in the question of what the Esco Fund was.

Mr. COHEN. That is what I am trying to explain.

Mr. FULTON. Which I was bringing out because it is one of the things for which you, I think, probably deserve some credit.

Mr. COHEN. I think we deserve a lot of credit for all we have done here and if you will allow me—

Senator BALL (interposing). That is going back pretty far, isn't it, Mr. Chairman? Empire Ordnance was organized in May 1940.

The CHAIRMAN. We are interested in the Empire Corporation. We are not interested in making a voluminous record. We have certain facts in which we are interested. We would like to get those facts as quickly and as expeditiously and with as few words as possible, and get the meat of the thing.

Mr. COHEN. When I attempted with Mr. Voyes and Mr. Dowd and some others to put the Empire Ordnance Corporation together I interested the Willys-Overland group to come in and finance the organization of an ordnance company for that purpose. I was entitled to receive 15 percent of the common stock. I didn't want at that time to have the earnings out of the ordnance business and so I called together a number of educators who were interested in Jewish education and we formed this Esco Fund committee to which I assigned my interests right from its inception, and so they had the 15-percent interest of the Empire Ordnance Corporation at that time.

That is my total interest that I would have had in the Empire Ordnance Corporation.

Mr. FULTON. Well, Mr. Cohen, I just thought that for your benefit we ought to bring out what Esco Fund is. Just tell us very briefly.

Mr. COHEN. Yes, sir. Esco Fund has busied itself with a number of things. It helped start shelters for the children who were being removed from the bombed areas in Britain and they have established, helped establish with the Interfaith Committee, seven of them. They also began the distribution of vitamins to the children, which was a result of our having had two refugee children in our home and we fed them the vitamins and thought we could do the same thing on a larger scale, and so they have been doing that.

They have also been helping in every way they can organizations that could also help promote what they call the democratic way of living, and it is surprising how if you have a small group that is vitally interested in helping a little money goes a long distance to do that.

Mr. FULTON. In short, this 15 percent is to an organization in which you have no personal interest and which does have these high motives you have described?

Mr. COHEN. I have no personal interest; they run it themselves; do whatever they want, and I help them get their money.

Mr. FULTON. Now, as to the 25 percent which you retain for your family, and as to the 15?

Mr. COHEN. That came later.

Mr. FULTON. And as to the 15 percent which you have given to the Esco; in other words, 40 percent of the present capital structure?

Mr. COHEN. I didn't have 40 percent at that time; all I had was 15 percent.

Mr. FULTON. I am talking about now what you have. What is the capital contribution which you made for that 40-percent interest?

Mr. COHEN. This was the common stock you are talking about for the common stock. There was no capital contribution in the sense of money.

Mr. FULTON. Mr. Cohen, as I understand it from the discussions you and I have had, there was a conference or a number of conferences at which the question came up of the possibility of your working out a corporation or series of corporations which would be able to manufacture ordnance supplies?

Mr. COHEN. Yes.

Mr. FULTON. And it was decided that it would be desirable to purchase the Pencoyd plant of the Carnegie-Illinois Steel Co. for about \$300,000, was it not?

Mr. COHEN. Yes.

Mr. FULTON. And the Carnegie Co. was willing to sell that on a partial-payment plan whereby \$30,000 would be paid down and payments would be made from gross sales or at periodic times thereafter. Is that true?

Mr. COHEN. That is right.

Mr. FULTON. As to that \$30,000, did you raise that partly from yourself and partly from borrowing by yourself from another individual?

Mr. COHEN. Yes; that was before the Empire Ordnance Corporation was organized.

Mr. FULTON. I am trying very briefly to outline the history. Five thousand of that was your own money, was it not?

Mr. COHEN. Yes.

Mr. FULTON. From your bank account and on your check?

Mr. COHEN. Yes.

Mr. FULTON. And was not obtained from anyone else or the result of any borrowing you made from anyone else?

Mr. COHEN. Not at that time.

Mr. FULTON. And the other \$25,000 came from where?

Mr. COHEN. I borrowed that from Mr. Elisha Walker.

Mr. FULTON. Of Kuhn, Loeb & Co.?

Mr. COHEN. Yes; but I don't think you should bring their name in here because Kuhn Loeb & Co. has nothing to do with this.

Mr. FULTON. And had Elisha Walker anything to do with it?

Mr. COHEN. Yes; I was trying to interest him and he was interested in this Willys-Overland group, and I was trying to interest them to come in and support this group of men who were so vitally interested in building up the ordnance business.

Mr. FULTON. And what did he get for the \$25,000 that he gave you?

Mr. COHEN. You mean interest in the company later?

Mr. FULTON. No; I mean at that time, what did you give him in exchange for his \$25,000?

Mr. COHEN. I borrowed that from him for 10 days or 2 weeks and I gave him my checks, which he was to hold for that period.

Mr. FULTON. And no security?

Mr. COHEN. No; he just trusted me.

Mr. FULTON. And that enabled you to make the down payment which the Carnegie-Illinois wanted on this Pencoyd plant?

Mr. COHEN. Yes; it looked as if we might lose our position with the Carnegie-Illinois Steel because there was some other outfit anxious to buy it from them and pay them \$200,000 more than we were paying, and they felt it wasn't fair to hold it out indefinitely.

Mr. FULTON. Although you were able to buy that plant for \$300,000. Was it a plant which had been built at a greater expense than that?

Mr. COHEN. That plant was worth hundreds of thousands of dollars, particularly for this purpose. Particularly for this purpose due to the fact it had so many cranes inside; each crane was worth thousands of dollars and there wasn't only the cost of the cranes but the time that it would take to build it up, and here we were interested in as quickly as we can to get the thing working.

Mr. FULTON. What had that plant been used for prior to that time?

Mr. COHEN. That plant was a plant where the locks for the Panama Canal had been built, where all their ingots or billets were made, steel rolling mill.

Mr. FULTON. And had it lain dormant in the years immediately preceding this?

Mr. COHEN. They had not been working it for about, I think, 8 or 9 years, or some period like that, and we had to come in right from scratch.

Mr. FULTON. Would it be fair to characterize it as a plant which originally had cost a great deal of money but which had—Carnegie-Illinois Co. was not at the time desirous of operating as part of its steel works because of their desire to use other plants which might have been more efficient for their purposes?

Mr. COHEN. New methods had come in for making steel billets and these were old furnaces they had in the billet place. Then the American Bridge, which was joint owners there, built up other plants and this was lying dormant. To replace that plant as it was for the purposes that we wanted it, I don't think you could do it for under \$10,000,000; worth a tremendous amount of money.

Senator BALL. How much floor space?

Mr. COHEN. Two and a half miles on one side of the river and a mile and a half on the other side. Plants, one building following another building, and the value this plant had to us, here you were in a period where time was very valuable, time was essential. Since we took those plants, in the rehabilitation of them we have put in over three and a half million dollars, and the time and effort that it took. We never could have ever gotten these plants set up at all. Then after tearing down those plants, the inside of them, we started from scratch; we started some time in January 1941. We began to tear out the insides, just leaving the structure and the crane structure. We had to take out all the old machinery that was in there.

Then we brought machinery in from the outside; went all over the country hunting for the machinery until we ended up with plants, today in that short period of time, where we are manufacturing, as Mr. Dowd said, 75 mm. cannons. We found it was difficult to get steel so we had to—we went all over the country for it. Then we found it was difficult to get forgings, so we had to put up our own forging plant. Then we couldn't get the high physical steels to meet the forging requirements, so we had to put up our own forging plant, our own steel-melt plant.

From there we went step by step, each time doing everything in order to expedite the program. In addition to that it was a situation where we in our first contracts with the British, had agreed that all these facilities that we would have could be available for their needs. They gave us a down payment on the first contract. After that an award of that contract was sometime in September. It didn't go into actual effect until November 25 because we had to as part of that contract show that we had accumulated a certain amount of machinery, that we had the personnel, and that we had the organization ready to function.

Then sometime about the middle of December, as I understand, the British were stopped from making more payments and more commitments and they were in this position which is second-hand knowledge as far as I am concerned; I don't know their inside affairs. But they were in a position where they could not get other manufacturers, especially the bigger the manufacturers the less they were able to get help from them, without giving them money for facilities, without giving them money for down payments, and it was a custom in this business when you ordered anything you had to give a large down payment, so they came back to us on our facilities to expand it and came back to our original arrangement of using our facilities, and that is how we kept on going. We hadn't yet used up the first down payment so they asked would we use that same down payment for the next step, and we kept on working that way.

Mr. FULFON. I was going to develop that but I think you are probably proceeding a little faster than I had in mind. We were at this

point where you had borrowed \$25,000 from Elisha Walker, giving him checks which were dated as to a future date, which he was to hold for a time. Is that correct?

Mr. COHEN. That is right.

Mr. FULTON. Now how and from whom did you obtain the \$25,000 to pay Mr. Walker back?

Mr. COHEN. Borrowed from a friend of mine, John Roberts, \$30,000.

Mr. FULTON. And who was John Roberts?

Mr. COHEN. He is an accountant and treasurer of the Manhattan Brewing Co. in Chicago.

Mr. FULTON. Have you had previous contacts with Mr. Roberts in business associations?

Mr. COHEN. For about 8 or 9 years.

Mr. FULTON. And as to that \$25,000, did he advance that to you on security or was it unsecured advance like Mr. Walker's?

Mr. COHEN. Same thing; unsecured. Maybe I can make it short for you in this way. We were no millionaires; we didn't have large capital. We had very little money but once I decided I was going into this thing, and I was glad to go into it as I say, because I have been since 1933 on this Hitler business. I then went to every friend I knew, to every banker where I had any friendship. I borrowed money from my friends, borrowed money from the banks, went on endorsements, went on guaranties in order to get the money together to start this ordnance plant going. Thank God we did.

Mr. FULTON. We were discussing, Mr. Cohen, the exact ways in which it was obtained.

Mr. COHEN. I tell you I borrowed it from everybody I could.

Mr. FULTON. In effect you bailed Mr. Walker out by borrowing an equivalent amount from Mr. John Roberts of Chicago?

Mr. COHEN. I don't bail anybody out. I don't like the word "bail." The man was good enough to loan me money for 10 or 14 days on my say-so; that I would return it to him. I was very glad and happy to return it to him.

Mr. FULTON. As to that \$25,000, did Mr. Walker receive any stock interest? He has none today, has he?

Mr. COHEN. At that time he didn't; there was no stock at that time; there was no company at that time; there wasn't an Empire Ordnance at that time.

Mr. FULTON. To date he hasn't received any stock interest and there is no arrangement for him to, is there?

Mr. COHEN. Today there is a realty company called Desirable Realty Co. I gave them 5 percent of the common stock later on, but at the time you are talking about there was no company.

Mr. FULTON. Does that mean that Mr. Walker is interested in the Desirable Real Estate Corporation?

Mr. COHEN. Yes; I think he is.

Mr. FULTON. And have they made any capital contribution for their 5 percent?

Mr. COHEN. Well, time after time I would borrow money from him or he would help me.

Mr. FULTON. But it would be repaid?

Mr. COHEN. Yes; I have repaid everybody I borrowed from.

Mr. FULTON. In other words the 5 percent is a repayment for the making of advances to you from time to time which thereafter were repaid?

Mr. COHEN. I would come to him for advice and help.

Mr. FULTON. And then did Mr. John Roberts—does he have now any stock interest in the company?

Senator CONNALLY. Mr. Chairman, wait a minute, please. What did you say? Who was this you came to for advice and help?

Mr. COHEN. Elisha Walker. This is before there was an ordnance company.

Senator CONNALLY. Just getting ready to have one?

Mr. COHEN. Trying.

Mr. FULTON. Now, did Mr. John Roberts, of Chicago, obtain a stock interest, and if so how much was that interest?

Mr. COHEN. Later on.

Mr. FULTON. I mean now, 15 percent.

Mr. COHEN. He has 15 percent today.

Mr. FULTON. Has he a capital contribution in the company?

Mr. COHEN. Yes; he owns \$40,000 worth of preferred stock in the company.

Mr. FULTON. But has he made a capital contribution for common stock?

Mr. COHEN. No.

Mr. FULTON. And at that stage we have the situation where there is \$30,000 invested. Is this 10 percent down payment on the Pencoyd plant? As I understand it you then interested the owners of a large block of common stock of the Willys-Overland Co. in transferring 200,000 shares of that common stock to the Empire Ordnance Co. in exchange for \$300,000 par value of preferred stock and all of the common stock. Is that true?

Mr. COHEN. That is correct; that is when it was organized.

Mr. FULTON. Yes. And of course the Empire Ordnance obtained title to the Pencoyd plant, or rather to your contract to purchase the Pencoyd plant?

Mr. COHEN. Yes; and the arrangement with them was—that is why it is difficult to answer a question like you asked, "Was their capital investment for common stock?" Empire Securities Corporation put in \$500,000 and had all the common stock and had all the preferred stock of the company.

Mr. FULTON. They didn't put in \$500,000; they put in 200,000 shares of Willys-Overland.

Mr. COHEN. Which had a market value of two and a half dollars.

Senator CONNALLY. They paid in \$200,000 in money, did they?

Mr. COHEN. No; they paid in 200,000 shares of Willys-Overland stock, which was selling on the stock exchange at two and a half dollars a share, so it had a market value at that time of \$500,000.

Senator CONNALLY. That is what they put in?

Mr. COHEN. That is what they put in. They received for it the \$500,000 of par value of the preferred stock of the Empire Ordnance Corporation and the thousand shares—and the hundred shares, I think it was, of the common stock of the Empire Ordnance Corporation, and we who were working, building, putting it together, were entitled to receive, when the preferred stock was paid off, two-thirds of the com-

mon stock to be divided. That two-thirds of the common stock that I had, the 15-percent interest in which I turned over to the Esco, and it was from that two-thirds of the common stock Mr. Dowd would have a 10 percent, Mr. Voyes a 10-percent interest, and so on down the line.

Senator BALL. How much common stock was outstanding when they got these 100 shares?

Mr. COHEN. That was the whole hundred shares.

Senator BALL. You said you held two-thirds of it.

Mr. COHEN. No; when the preferred stock was being redeemed or paid off, we would be entitled to receive two-thirds of the common stock.

Senator BALL. Two-thirds of that hundred shares?

Mr. COHEN. Sure.

Senator CONNALLY. Who would get the other third?

Mr. COHEN. That would stay with the Empire Securities Corporation for their having put in the money while we did all the work.

Mr. FULTON. Now that gave you some stock of a company which was listed on the stock exchange, the Willys-Overland, and I understand you proceeded to raise capital for Empire Ordnance by selling on the stock exchange part of that Willys-Overland stock: is that true?

Mr. COHEN. And as we proceeded to buy machinery or repair the plant we would sell some of the stock as we needed the money.

Mr. FULTON. And there were sold that way sufficient shares to bring you in a net amount of somewhere in the neighborhood of one hundred and twenty-five to one hundred and thirty thousand dollars?

Mr. COHEN. About \$150,000 worth sold altogether and when the stock-exchange houses on the commission or drafts and the interest on borrowing against the stock, we had about \$130,000 net.

Mr. FULTON. Now with that \$130,000 you were enabled to buy certain machine tools, some new and some second-hand, which you purchased for use in the Pencoyd plant: is that correct?

Mr. COHEN. Yes; that is right. We had men scouting the country; we were at auction sales, wherever machinery could be gotten. We also placed orders for new machinery to be delivered later on and we began to repair and rebuild, build up the plant itself.

Mr. FULTON. Now the negotiation of the British contract ultimately gave you a contract with the British for about how many million dollars? That is the November 25 contract.

Mr. COHEN. November 25 contract, the basic one was for about \$8,000,000 and then the additions to that totaled a little under \$20,000,000.

Mr. FULTON. And on that you obtained a down payment from the British of approximately 25 percent?

Mr. COHEN. That is correct.

Mr. FULTON. Which would be about how many million dollars?

Mr. COHEN. About—it was a little under \$5,000,000.

Mr. FULTON. And with that \$5,000,000 you were enabled to make expansions of plant and facilities and purchase more tools and get into production?

Mr. COHEN. We began buying the material and the machinery and the plant. For instance, we ordered up from Midvale Steel \$500,000 worth of forgings, and we had to pay them one-third down. We ordered from Pennsylvania Forge Co. a quarter of a million dollars

of forgings, and we had to pay them one-third down. In that way, that is how we built up.

Mr. FULTON. And then with those funds or funds which you obtained by making deliveries on produced articles, you were also able to finance the Savannah Shipyard, were you not?

Mr. COHEN. No; Savannah Shipyards doesn't enter at that time at all.

Mr. FULTON. But I mean that is the source of the funds which have been expended to date in the Savannah Shipyard?

Mr. COHEN. Savannah Shipyards was finally worked out from three sources. We borrowed money and we had a throw-off from deliveries, that as we manufactured and delivered, some of our own basic capital.

Mr. FULTON. And thus we have in effect a situation where you and others contributed your skill and experience to develop this plant arrangement for the interests that you have just testified to?

Mr. COHEN. No; you have that again later on; when we took out the Willys-Overland and paid them off on their preferred stock we put in the money in place of the Willys-Overland.

Mr. FULTON. You paid them back their \$128,000 and took back the stock from them?

Mr. COHEN. We didn't take back as individuals; that is, when we got the 66 $\frac{2}{3}$ which we spread around, and it was at that time that I had left for myself what I had paid in and borrowed, the 15 percent that you referred to before.

Senator HERRING. Mr. Cohen, as I understand, you borrowed some money on your own credit to make this down payment?

Mr. COHEN. That is right.

Senator HERRING. And you paid it back?

Mr. COHEN. That is right.

Senator HERRING. And through manipulations you took over a plant that was out of operation, wasn't doing anything?

Mr. COHEN. Just as dead as it could be. We had to go in and sweep it, clean it, tear everything out.

Senator HERRING. And didn't you go to the Government for money?

Mr. COHEN. We don't have a nickel from the Government; we never went to the Government for a nickel; we don't have a nickel from any public; we never went to the public for any money, even when we came in, as Mr. Dowd just said, when we came into the Vulcan Iron Works in June 1941. I went in as treasurer; they had a tail end of a loan from the R. F. C., \$149,000, which had another 3 years to run. I went to the Second National Bank, Wilkes-Barre, and borrowed that money and paid off the R. F. C.; so we don't have a nickel of Government money any place.

Senator HERRING. No Government money?

Mr. COHEN. No, sir.

Senator HERRING. That is unusual; you should be penalized for not going to the Government for money. You have gone out yourself and raised this money, paid back what you owed, put a plant in operation, and you are now building material that we need for the Government, and you got into competition with others and you are now supplying what we need. I wish we had a thousand like you.

Mr. COHEN. Mr. Senator, allow me just a couple of minutes because it is really a disgrace the way we have been treated in these newspaper charges and all these wild statements. We have been accused of being brokers or agents selling contracts and what not. All we have been doing is working our heads off and we were doing it at a time when we had no contracts. All this we are talking about here, the borrowing of money and fixing up, was in anticipation. We had no contracts; nobody promised us any contracts. It was a gamble we took; it was a gamble we took and we wanted to take because we were fearful of what the situation in the country was.

We had men in our lists who have had experience and knew what was involved in it. For 5 months we carried a pay roll of a personnel without any inkling where we would get a nickel to pay it back from; if we lost that was our gamble. At the present time I am on guaranties of about \$300,000 we owed to the bank; some of the other stockholders are on guaranties of money we owed to the bank; wherever we had a friend, wherever we had anyone we could get help from, we went to get help; we couldn't get it from the big banks; we couldn't get it from the big companies, and we didn't have millions of dollars like everybody else had, but we were willing to work hard and start and do it, and we did, and the only contract we had with the United States Government which came from the Navy when the Navy asked us to try to overhaul these guns which are now mounted on cargo vessels, these 3-inch naval guns.

The CHAIRMAN. Let me make a request of the newspapermen to please regard as confidential the last section of Mr. Dowd's statement which places the location of these plants definitely, where they can be reached. That should be regarded as a confidential document and not for publication, on page 3, to the end of Mr. Dowd's statement.

Mr. COHEN. We were, Mr. Chairman, in a very difficult position. We were afraid to say anything, afraid to answer these charges; we didn't know, because a lot of it is secret, part of it is for the Government. We were badly handicapped. For instance, we were asked on these 3-inch naval guns, Mr. Dowd wrote a letter to the commander, Kitchen, and this is what we wrote him:

Pursuant to our telephone conversation today, would state that our engineers have made a very thorough study of the 3-inch 50-caliber naval gun sent to our Pencoyd plant at Philadelphia. They have also examined a number of the guns presently at the Philadelphia Navy Yard. There are many different conditions confronted in each particular gun and it would be eminently unfair to set an average price for the reconditioning of each gun, for the reasons that one gun may only need cleaning and painting, while another gun may need considerable repair to parts and replacements of other parts.

We submitted a price of \$278 per gun and we would be very agreeable to take our chances with this price, and if it was more than sufficient to do the job to refund any excess amount to you. On the other hand this might be too small an amount and the work might greatly exceed this amount. However, with your cooperation we are willing to assume some risk in this work in order to expedite it, so that the guns may be put to use.

Awaiting your early reply on this, we are * * *.

Then we asked Mr. —

Senator CONNALLY (interposing). What is the name of the company?

Mr. COHEN. Empire Ordnance Corporation.

Senator CONNALLY. Did you go through the Securities Exchange Commission and its organization?

Mr. COHEN. No; because we didn't go to any public.

Senator CONNALLY. Didn't do what?

Mr. COHEN. Didn't go to any public for money.

Senator CONNALLY. You went to yourself, you said you took two-thirds of this stock for organizing it and financing it. Why don't you have to go through them? I don't know. It looks to me like they were asleep.

Mr. FULTON. No; Senator.

Senator CONNALLY. You are selling them later on?

Mr. COHEN. We didn't sell any stock.

Senator CONNALLY. Didn't Mr. Fulton ask if you didn't sell from time to time the common stock of this company on the New York Exchange to get money?

Mr. COHEN. Not the Empire Ordnance stock.

Senator CONNALLY. What corporation was it you sold the stock on the New York Exchange?

Mr. COHEN. The Willys-Overland.

Senator CONNALLY. That has been through the wringer and is all right?

Mr. COHEN. That is listed on the stock exchange.

Senator CONNALLY. All right. So you didn't have to go through the scrutiny of the Securities Exchange Commission?

Mr. COHEN. We never went to any public for anything. Seven or eight of us each time expand ourselves or stretch ourselves for whatever we can do.

Senator CONNALLY. This was too good to let the public in on?

Mr. COHEN. It is not a question of too good. It was a question where nobody wanted to do it; everybody was asking what was going to happen to them after the war. What was going to happen to them if they got no contracts?

Senator CONNALLY. How much money did you personally put into this thing?

Mr. COHEN. About \$50,000 plus being on \$300,000 of guaranties.

Senator CONNALLY. You haven't paid the guaranties yet, have you?

Mr. COHEN. We paid back a good part of it, sure.

Senator CONNALLY. You put in \$50,000 of your own money?

Mr. COHEN. Yes.

Senator CONNALLY. Cash?

Mr. COHEN. United States money.

Senator CONNALLY. That is what I am talking about, United States money.

Mr. COHEN. Yes.

Senator CONNALLY. That is good.

The CHAIRMAN. Senator Ball?

Senator BALL. As I understand it you sold only about \$150,000 worth of this Willys-Overland stock?

Mr. COHEN. As we needed money in the company we would sell a thousand dollars.

Senator BALL. That was the total?

Mr. COHEN. That is right.

Senator BALL. Have you still got the rest of it?

Mr. COHEN. No.

Senator BALL. What happened to it?

Mr. COHEN. Well, this group of Willys came in and that is what I was trying to explain to Senator Connally for a minute. They came in on the proposal that they would put this money in but if no contracts were to be forthcoming up to a certain period they would have a right to disband the company. Well, we thought if we had a plant and we had the facilities it would be very easy to put the plant to work, but it didn't work that way and as time went by we were spending the money keeping the personnel, keeping the pay roll; they got tired and they wanted to step out, so up to that point we had spent about \$150,000 of their stock, so I agreed with them to buy their interest, return to them the balance of the stock that had been unused and they should return the preferred stock of the Empire Ordnance and they step out.

So some time in August or September I entered into an agreement with them to do that, which I did.

Senator BALL. September of what?

Mr. COHEN. Of 1940, which I did, and we gave them back \$350,000 worth of the Willys-Overland stock which we had not used, and they gave us back into the company \$350,000 of the preferred stock, which we had and we canceled that out. That is what left us with this capital, as I explained to Mr. Fulton, of only \$150,000 in the Empire Ordnance itself, and we had about \$75,000 that we all contributed for the capitalization of these other little companies in each locality to do the special jobs.

Senator BALL. Let's follow through with Willys-Overland first. Did you ever pay them back for the remaining \$150,000? You did that personally?

Mr. COHEN. I did that with friends of mine and we bought their stock so that we became the sole stockholders of the Empire Ordnance. They had no more interest.

Senator BALL. Then when you paid off, returned the \$350,000 of Willys-Overland stock and paid them back for the \$150,000 you had sold, did you get back all of the 100 shares of common stock in Empire Ordnance which you had also turned over?

Mr. COHEN. Yes.

Senator BALL. You didn't leave the one-third?

Mr. COHEN. We paid them out, completely washed them out entirely.

Senator BALL. Now who was in on that purchase with you of \$150,000?

Mr. COHEN. Mr. Griffiths paid in \$10,000, Mr. McHale put up \$25,000.

Senator BALL. Frank McHale of Indiana?

Mr. COHEN. He has been by attorney for about 5 or 6 years.

Senator BALL. Who is Mr. Griffiths?

Mr. COHEN. Mr. Griffiths of New York, Charles Griffiths who is our counsel. Roberts took \$40,000; Orgill, \$12,500, and I think the rest was what I had.

Senator BALL. Orgill, \$12,500; \$77,500.

Mr. COHEN. Paid them \$130,000.

Senator BALL. \$77,500 this adds up. Then Roberts in return for putting up \$40,000 for the preferred also got 15 percent of this 100 shares of common stock?

Mr. COHEN. Then I took that common stock which we took back from the Willys-Overland and distributed it amongst everybody in the place in accordance with the way we had agreed.

Senator BALL. But I mean Roberts put up \$40,000; he got \$40,000 worth of preferred stock, and in addition the 15 percent of the common; is that it?

Mr. COHEN. That is right.

Senator BALL. And McHale got—

Mr. COHEN. He had been entitled to some from before; McHale had 5 percent.

Senator BALL. He got 5 percent in addition to \$25,000 of preferred stock?

Mr. COHEN. He paid in \$25,000.

Senator BALL. And then Griffith, he still has \$10,000 of preferred stock plus 5 percent of common for which he paid nothing extra and Orgill the same way?

Mr. COHEN. If you mean in dollars and cents, didn't pay it; that would be correct, but for a year he had been working with us all the time and we had been using money in and out, each one helping with whatever he could.

Senator BALL. That seems to be the case. That leaves about \$42,500, if you paid them \$130,000 which you put up, and you took \$42,500 of the preferred plus all this common stock that you got in your family.

Mr. COHEN. Sixty-six and two-thirds was to be spread out originally without any—

Senator BALL (interposing). Who were these people in Willys-Overland? Is that the management of Willys-Overland that put up this half-million dollars worth of their stock?

Mr. COHEN. The Empire Securities Corporation owned at that time—I don't know what it is now—52 percent of all the Willys-Overland Co. They had in their possession about 1,000,000 or 1,200,000 shares of the common stock of the Willys-Overland. The Empire Securities Corporation also owned all the Willys Realty Co., which is all the plants and real estate of the Willys-Overland. And it is the Empire Securities Corporation that undertook to finance the ordnance company. That is how we got this name Empire Ordnance Co., from the Empire Securities Corporation.

Senator BALL. Which was—you had no stock in Empire Securities?

Mr. COHEN. No; I wasn't in that.

Senator BALL. Who did you negotiate with; what individuals?

Mr. COHEN. With Mr. George Ritter, who was the attorney of the Willys-Overland.

Senator BALL. George Ritter was their attorney, who is the head of Empire Securities?

Mr. COHEN. George Ritter and Ward Kennedy.

Senator BALL. Who?

Mr. COHEN. Ward Kennedy.

Senator BALL. And you negotiated with Ritter and Kennedy, then?

Mr. COHEN. That is right.

Senator BALL. Now, that adds up to \$42,500 which you put in, and you said about \$50,000 cash?

Mr. COHEN. I don't know the exact figures. For a whole year we had been spending money.

Senator BALL. Yes; I can see that, but I was trying to figure out what you put up in actual cash after that, when they stepped out.

Mr. COHEN. We began.

Senator BALL. You paid off Empire Securities for the \$150,000 worth of their common stock; only paid them \$130,000 cash?

Mr. COHEN. We paid them whatever had come actually in the company; they stood the expense of whatever it had cost for stock-exchange brokerage fees or drafts or interest, and so on.

Senator BALL. They took a loss of \$20,000 on financing your company?

Mr. COHEN. That is right.

Senator BALL. Why did they do that?

Mr. COHEN. Why does anybody go into business?

Senator BALL. Did they figure you were going to bump about that time, or something?

Mr. COHEN. Well, there were no contracts forthcoming from anybody. We had been negotiating with various governments and the governments were all collapsing. The French were collapsing, everyone, and they thought they were making a good deal.

Senator BALL. Now, so far all we know that you put up in cash is \$42,500, and for that you got \$42,500 of the preferred stock which eventually will be paid off?

Mr. COHEN. Yes; if we work hard enough, we will pay it off.

Senator BALL. Did any of the other officers of the company put up any cash?

Mr. COHEN. Well, they didn't have any.

Senator BALL. Reece Ford?

Mr. COHEN. He has been spending his money for 22 years until he was nearly broke, trying to get together an ordnance company.

Senator BALL. How about the executive vice president?

Mr. COHEN. I will come to them.

Senator BALL. He doesn't own any common stock?

Mr. COHEN. Quarrie represents—is on our board of directors of the Empire Ordnance Corporation, which consists of five people. One is Mr. Dowd; the other, Mr. Voyes; the third one, myself; the fourth, Mr. Quarrie; and the fifth, Mr. Murray, of the British Purchasing Commission. Mr. Quarrie is on there also representing the British, so with the five men on the board of directors the British have two representatives and we are three. Quarrie came in to be the general manager of operations. He had been vice president of the Otis Steel Co. and president of the Oliver Steel Co., and he knew the steel business. Today he is the president of the Manayunk Forging, of the Roxboro Steel, and is directly in charge of the forging and the steel, and by the end of this month we hope to be in a position where we will be delivering excess forgings to the United States Ordnance and the arsenals, and that is all we built up with our own hands from nothing.

Senator BALL. You seem to have built it up from nothing all right. What is Quarrie's background? What is his business experience?

Mr. COHEN. Quarrie was president of the Oliver Steel Co. He has been in the steel business since he was—I don't know how young; he is a trustee of Case Institute; graduate of Case Institute.

Senator BALL. Actually, then, all the cash you had before you got this \$5,000,000 down payment from the British was \$130,000?

Mr. COHEN. That is right, plus what we borrowed from the banks.

FRANK COHEN'S BUSINESS ASSOCIATION WITH CHARLES WEST

The CHAIRMAN. Mr. Cohen, what I am principally interested in—I think the financial background of this thing has been pretty well aired and it is no disgrace to start a program on a shoestring and make it work, if you can, but what I am interested in is your connections here in Washington. How did you come to hire Mr. West?

Mr. COHEN. We had our letter of commitment from the British on our contract and I called Mr. Orgill.

Senator CONNALLY. Have you got that letter of commitment with you?

Mr. COHEN. Your counsel has it, copy; we showed it to him in the office; we gave it to him.

Mr. FULTON. The British didn't indicate an expectancy.

Senator CONNALLY. It ought to be in the record so we could see what it is about.

Mr. COHEN. May I explain, Senator Connally, Senator Truman is investigating——

The CHAIRMAN (interposing). I just wanted to find out why you employed Mr. West.

Mr. COHEN. Well, in the first place, as far as the British contracts, as far as our contracts are concerned, we never employed him. I called Mr. Orgill to come down to help me put the contracts into shape for him. He was sick; he sent Mr. Duffy down, his partner. Orgill's friend had been acting as counsel to us and on the tax matters and other matters that we had in the Empire works. Duffy came to Washington and a few days later he introduced me to Mr. West; brought him to our hotel. That is how Mr. West came into the picture; never knew him; never called for him.

The CHAIRMAN. What was the purpose of the employment of Mr. West?

Mr. COHEN. I didn't employ him; he came in with Mr. Duffy; he stayed around with Mr. Duffy. Mr. Duffy said Mr. West was helping him.

The CHAIRMAN. You paid Mr. West some money, didn't you?

Mr. COHEN. I paid for the account of Duffy and for the account of Orgill; we paid Mr. West; we paid some expenses; he borrowed some; had to pay hotel bills; his wife was sick; he had to pay for an operation; in that way we paid; each time we charged it to Mr. Orgill.

The CHAIRMAN. What did you expect Mr. West to do for these payments?

Mr. COHEN. What I wanted Mr. Duffy to do and Mr. West was helping Mr. Duffy—it was necessary for us to get what we call a release of facilities. The release of facilities from the United States Ordnance was if you are doing business for anybody but the United States Ordnance, the United States Ordnance or the United States Government has to say that they don't need those facilities for their own purposes and give you what they call a release of facilities.

The CHAIRMAN. Weren't these British funds which you were going to use blocked and you had to get them released from the Ordnance Department before you could do any business?

Mr. COHEN. The Ordnance Department had nothing to do with it; they sent you to the British to get the contract, sent us.

The CHAIRMAN. But you had to get a release from the Ordnance Department before you could carry out the contract; is that what you employed Mr. West for, to get that release?

Mr. COHEN. I called Mr. Duffy down here to work on it.

The CHAIRMAN. That is what Mr. West was called into the picture for, to go down and "fix" the Ordnance Department?

Mr. COHEN. Not to fix the Ordnance Department; nothing to fix in the Ordnance Department.

The CHAIRMAN. You couldn't operate until the Ordnance Department gave you the go-ahead signal?

Mr. COHEN. It wasn't the Ordnance Department; there were 16 or 17 different departments.

The CHAIRMAN. Let's say the whole War Department.

Mr. COHEN. State Department, 16 or 17 different departments.

The CHAIRMAN. They had to give you the go-ahead signal before you could go ahead on the contract; British contract?

Mr. COHEN. They had given us the go-ahead signal but before we could start operating we had to get also from different departments something saying these facilities are not needed by the United States Government and it is all right to use it for foreign governments. That is all that was needed.

The CHAIRMAN. Then Mr. West didn't do anything for the money you paid him?

Mr. COHEN. For us, nothing except cause us all this trouble. The next thing West did was—then sometime in February I suggested that he take a job and stop borrowing here and there and he came in. We intended to build up a shipyard and for him to come in and take the job as secretary of the shipyard. We also intended to open up an office over here like we did in Detroit and other places, to expedite the material over here. We wanted to expedite our business and have a job for him so he would have an income. He agreed to do that and about a month or so later he was named to some commission and then he decided he wanted to stay in the Government service.

The CHAIRMAN. Mr. West testified here yesterday he made a trip down to the Ordnance Department in your behalf and that you then went down there after he had made the trip and things went through like greased lightning. He told you who to talk to. Who did you talk to in the Ordnance Department?

Mr. COHEN. I never was in the Ordnance Department until sometime in the fall of this year; I never was in that place and he never went anywhere for us.

The CHAIRMAN. Then you never had any—never found it necessary to fix things in the Ordnance Department so you could get this job done?

Mr. COHEN. God Almighty, there was nothing to fix; they are the ones that gave us the order; told us to go to the British and get the order. What did we have to fix them for?

Senator CONNALLY. Why were you paying all those expenses?

The CHAIRMAN. He paid West \$13,000.

Mr. COHEN. I am a good-natured damn fool. I introduced him to a man.

Senator CONNALLY. I agree to half your statement, that you are good-natured. It is quite a serious thing, \$13,000.

Mr. COHEN. I didn't give him any \$13,000.

Senator CONNALLY. It may be a trifle to you.

Mr. COHEN. I didn't give it to him; I never gave him \$13,000.

Senator CONNALLY. What did you give?

Mr. COHEN. \$4,900, and the way he got that from us was I introduced him to a friend; he borrows money from him; I have to pay the friend back.

Senator BREWSTER. Who was this friend?

Mr. COHEN. Joe Hillman.

The CHAIRMAN. Take your time and just tell us what Mr. West did for this money you paid him.

Mr. COHEN. You see, Mr. Senator, we worked very hard in this whole situation.

The CHAIRMAN. It is perfectly apparent you did; I am not questioning that. What I want to know—

Mr. COHEN (interposing). It is a perfect outrage for us to have been blackened that way in the newspapers with this kind of statements.

Senator CONNALLY. We are not here to settle the newspaper reports; we want facts.

The CHAIRMAN. We want the facts in this case and are trying to give you a chance to tell it.

Mr. COHEN. Here is an example of the thing. He comes to me and says he might be caught on this confirmation in the Senate because Mr. Julian took a judgment against him for \$2,700 or \$2,800 so I said I will help him out. He comes to New York.

Senator BREWSTER. This is Mr. West, I take it?

Mr. COHEN. Mr. West; he comes to New York; well I didn't want to give him the money from the company so I called up a friend of mine who is the president of a bank, Mr. Leichtman, Modern Industrial Bank, and I said, "Here is a friend, Mr. West; would you give him a loan of \$3,000?" I sent him over there. He talks with Mr. Leichtman; Leichtman calls back and says, "Before I can give him the loan of the \$3,000 I have to have in my record that the man is earning at least twice as much." Well, I tell him I had offered Mr. West to come into the Savannah shipyards and work for us and take charge of an office for us here when we opened it up to expedite our papers; we had to be here all the time with drawings, all kinds of business; I will give him a letter embodying what I had agreed to do for Mr. West. So I write a letter to the Modern Industrial Bank. This is on April 24, attention Mr. Jacob Leichtman.

The CHAIRMAN. 1941?

Mr. COHEN. 1941.

This is to verify to you that Charles West is employed by us as consultant at an annual retainer of \$7,500. We understand he has arranged to borrow from you the sum of \$2,800 which is to be paid back in semimonthly payments. Mr. West has authorized us to pay you, for his account, \$116.66 semimonthly in payment of this loan which we are herewith undertaking to do.

He takes this letter and goes down.

Senator CONNALLY. Who signed the letter?

Mr. COHEN. I signed the letter.

Senator CONNALLY. I thought you said you hadn't employed him?

Mr. COHEN. I said in January or February I said to him he should come in and take a job. When Senator Truman was asking me I thought he was talking in 1940 about these British contracts.

The CHAIRMAN. I wasn't talking about any particular date; I just wanted to know what he did for the money you paid him; that is all.

Mr. COHEN. It still is the same thing; he did nothing but cause all this trouble. He was to take this job with us, as I say; he was nominated to this, some transportation commission; he asked me to carry on and pay him the salary until he would be confirmed by the Senate or by the Government. Then came this judgment, announced in the newspapers by Mr. Julian. Then he comes to me with this, so I write the letter embodying what I had said, that he would be employed by us at \$7,500 a year.

He went to the bank with the letter and made an application for a loan. He went to the bank, filled out his application for the loan. Over here on the stand yesterday he said he was employed by us. In the application it says "Who is your employer?" He says, "Empire Ordnance Corporation."

Senator CONNALLY. What are you reading from? You can tell me.

Mr. COHEN. This is the application that he made in that bank when I sent him over.

Senator CONNALLY. I just want to know what verification. Let's see, Mr. Chairman, what verification; this is supposed to be a photostat of his application to the bank.

Mr. COHEN. That is right, sir.

Senator CONNALLY. Where did you get it?

Mr. COHEN. From the bank.

Senator CONNALLY. If you want to accept it, it is all right with me.

The CHAIRMAN. This committee doesn't work exactly on the rules of evidence: we are trying to find out what the facts are. I want to know what Mr. West did and what you paid him.

Mr. COHEN. Didn't do a damn thing for us.

The CHAIRMAN. You hardly ever get the facts when you stick to rules of evidence.

Mr. COHEN. He says here, "Empire Ordnance" employed him. "What is your salary?" "\$7,500 a year."

"Do you have any other income?" He puts in "Savannah Shipyards, \$5,000 a year." Then he signs, "Charles West." They loaned him the money. I thought he paid off Julian's judgment and meanwhile, when the 15th came, we sent him the check; when the 30th came, we sent him the check. We get called up by the bank saying he hadn't paid. We had recognized an assignment that had been made of West's salary and we are liable to them for that salary. So I sent the next check over to the Modern Industrial for the \$500 for them to apply to West's loan; we made it out to Charles West. They called him to endorse it; he wouldn't endorse it unless he got the difference; there was some difference of \$30 or \$40. They called me up. I said they shouldn't give him any difference, apply it all to the loan or I would be stuck a second time. So they endorsed it and applied it.

The next month the same thing happened. After that we never saw him any more until we were served with this.

The CHAIRMAN. Your answer, then, to my question is that Mr. West didn't do anything for what you paid him?

Mr. COHEN. Nothing except cause me this trouble.

The CHAIRMAN. Did you try to employ Mr. Corcoran as your attorney here in Washington?

Mr. COHEN. I came to Mr. Corcoran at a time when there was a question with us as to going into Savannah for the Savannah Shipyards, where we were to build the yard and the port authority was to give us port-authority bonds in payment for building the yard, and they would own the yard.

The CHAIRMAN. How did you come to go to Mr. Corcoran at that time?

Mr. COHEN. I read the newspapers he was going to open up his own law office and his own practice.

The CHAIRMAN. Had you known him before?

Mr. COHEN. I never knew him, never saw him.

The CHAIRMAN. How did you come to pick out Mr. Corcoran as your attorney?

Mr. COHEN. This was a question of municipal bonds which would involve for us a lot of money, if we took it; my impression from what I heard was he was a very smart fellow; that he was a good lawyer; he would know this part of the law, so I called him and went to him; he told me he couldn't.

The CHAIRMAN. Did you employ him because he had been connected with the Government before and you thought he was close to the President of the United States?

Mr. COHEN. I had nothing to do with the President of the United States. We had nothing to do with the Government.

The CHAIRMAN. Is that one of the reasons you employed him?

Mr. COHEN. No. He has gotten a lot of experience out of the United States; he said he couldn't.

Senator CONNALLY. Do you know Judge Manton over in Philadelphia or New York? Manton?

Mr. COHEN. I did know Judge Manton; yes.

Senator CONNALLY. Were you associated with him in some financial deals at one time?

Mr. COHEN. What kind of deals?

Senator CONNALLY. Where is Judge Manton now?

Mr. COHEN. I don't know.

Senator CONNALLY. Where was he last seen?

Mr. COHEN. Where I last saw him? I don't know.

Senator CONNALLY. You know who I am talking about?

Mr. COHEN. I haven't seen him.

Senator CONNALLY. Circuit court of appeals and sent to the penitentiary.

Mr. COHEN. He was the senior of the circuit court of appeals.

Senator CONNALLY. Did you have some business transactions with him, associated with him in some deals?

Mr. COHEN. One of our surety companies at one time; we issued a bond for properties that he had.

Senator CONNALLY. Then you did have some association with him?

Mr. COHEN. A long time back, a long time ago.

Senator CONNALLY. I didn't ask you when, but you did—you were associated with him? Was he a partner of yours?

Mr. COHEN. I wasn't associated with him; I was no partner.

Senator CONNALLY. That is what I am trying to find out.

Mr. COHEN. I say in the surety company we wrote a bond for one of his realty companies.

Senator CONNALLY. Did you pay it?

Mr. COHEN. We had to pay, yes; he didn't pay.

The CHAIRMAN. I have no more questions.

Senator CONNALLY. Do you know anything about the Missouri State Life Insurance Co.?

Mr. COHEN. Yes.

Senator CONNALLY. Who was it associated with you that borrowed money from the Missouri State, enough to buy the stock of some company over in Europe as a result of which the Missouri company went on the rocks? Do you know anything about that?

Mr. COHEN. The question you are asking me, with the statement you are putting in it, is not exactly right.

Senator CONNALLY. You tell us right; I don't know anything about it; I am not a member of the Missouri State Insurance Co., but didn't you borrow—you and Mr. Barnes, the former wheat dictator—\$800,000 from the Missouri State Life to buy its own stock?

Mr. COHEN. No.

Senator CONNALLY. What did you do?

Mr. COHEN. We borrowed from the First National Bank in St. Louis.

Senator CONNALLY. You bought the stock. What did the Intersouthern Insurance Co. of Louisville have to do with it? Did they have anything to do with this deal?

Mr. COHEN. Kentucky Home Life, which has been organized by Louisville interests, had taken over the Intersouthern Life and we bought stock in the Kentucky Home Life.

Senator CONNALLY. What did you do with this \$800,000 you borrowed from there?

Mr. COHEN. We bought stock in Kentucky Home Life.

Senator CONNALLY. Why did you do that? Still got it? What did you do with it?

Mr. COHEN. I was sold out by the banks. The banks have it.

Senator CONNALLY. Why did you go in there to buy it? Did you think it was a good buy or was it just a form of manipulation?

Mr. COHEN. We thought it was a good buy at that time.

Senator CONNALLY. But it didn't work?

Mr. COHEN. No; because in March 1933 the President came in and closed all the banks; we couldn't pay off our loans.

Senator CONNALLY. What happened to the Missouri State Life?

Mr. COHEN. Still in business.

The CHAIRMAN. Missouri State Life has been taken over by the new company in St. Louis and the Missouri State Life went bankrupt, didn't it; and had to be taken over by another insurance company; and one of the reasons it went bankrupt was because of this very deal?

Mr. COHEN. I am willing to go into all of that if you want to bring the people who are responsible for it so we can go into it.

Senator CONNALLY. I am not concerned with anybody but you. I am trying to find out the facts.

Mr. COHEN. I wasn't in the management; I didn't control it; I didn't have anything to do with it.

Senator CONNALLY. You said you bought into it.

Mr. COHEN. I bought the stock of the Kentucky Home Life.

Senator CONNALLY. And it went "kaflewly," too, didn't it?

Mr. COHEN. No.

Senator CONNALLY. You said you were sold out.

The CHAIRMAN. I think the American Life in St. Louis took them all over, if I remember correctly.

Senator CONNALLY. I don't know enough about it to pursue it today. You will be back tomorrow, I suppose. That is all.

The CHAIRMAN. Senator Mead, did you have some questions?

Senator MEAD. Mr. Cohen, what about this loan that Charles West negotiated with your help at some bank in New York? What bank was that?

Mr. COHEN. Modern Industrial Bank.

Senator MEAD. And what is the present situation with reference to the loan?

Mr. COHEN. The only money that was paid was the checks we sent. He hasn't paid it back.

Senator MEAD. What?

Mr. COHEN. The only money that has been paid are the checks we sent over. The rest he hasn't paid back yet.

Senator MEAD. He hasn't paid the loan?

Mr. COHEN. No. And he didn't pay Julian's note with that money either.

Senator MEAD. Has the bank taken any action?

Mr. COHEN. The last I knew from the bank was that they were trying to find him so as to serve him with the proper papers.

The CHAIRMAN. Senator Ball, did you have a question?

CONNECTION OF THOMAS G. CORCORAN WITH SAVANNAH SHIPYARDS CORPORATION

Senator BALL. Mr. Cohen, when you came to Mr. Corcoran here in February what did he tell you? You wanted to retain him on this Savannah Port Authority bond deal.

Mr. COHEN. He said he was too busy with other work and he couldn't devote all his time, and he wasn't a specialist on this thing, and he recommended Bill Koplovitz, and Bill Koplovitz did a very good job.

Senator BALL. That is the firm of Dempsey & Koplovitz?

Mr. COHEN. That is right.

Senator BALL. Did he mention that the Dempsey in that firm is the son of Mr. Dempsey who was at that time on the Maritime Commission?

Mr. COHEN. Yes; he told me about that; but that didn't affect us one way or the other.

Senator BALL. What did he say about it?

Mr. COHEN. He told me that Bill Koplovitz was the best man he knew for this type of work and that he would know these municipal bonds better than anyone else I could get.

Senator BALL. What did he say about Dempsey's father being on the Maritime Commission?

Mr. COHEN. He told me he had been on the Maritime Commission, but that had nothing to do with us.

Senator BALL. That is all he did, just mention it?

Mr. COHEN. Yes.

Senator BALL. He didn't tell you it would be a good idea to retain them for that reason?

Mr. COHEN. No. On the Savannah Shipyards—

Senator BALL (interposing). That is all he said? He just mentioned that Dempsey's father was on the Maritime Commission?

Mr. COHEN. Yes.

Senator BALL. That is the extent of his statement?

Mr. COHEN. That is right.

Senator BALL. I see. And you went ahead and retained Dempsey & Koplovitz on this bond transaction?

Mr. COHEN. That is right.

Senator BALL. Is that all they did?

Mr. COHEN. From that time on they have been doing all the work for us in Savannah.

Senator BALL. They represent you as far as the Savannah Shipyards are concerned?

Mr. COHEN. That is right.

Senator BALL. They represented you in negotiating the contract, in drawing it up, checking it, and all that sort of thing?

Mr. COHEN. That is right; and they also advised us not to take the port authority notes in payment for our work.

Senator BALL. Yes; but you say they are still representing you?

Mr. COHEN. Yes.

Senator BALL. I take it they continued as counsel for Savannah Shipyards and were counsel during the time the contract with the Maritime Commission was negotiated.

Mr. COHEN. Yes.

Senator BALL. I see. How much fees have you paid them to date?

Mr. COHEN. I think during the whole year they have received about \$18,000.

Senator BALL. That is all you have paid them?

Mr. COHEN. That is right. And they have done an awful lot of work.

Senator BALL. They did help you on the contract with the Maritime Commission?

Mr. COHEN. Let me answer it for you this way. We had come to the Maritime Commission away back in January, Mr. Crowley and myself.

Senator BALL. You were turned down then?

Mr. COHEN. We didn't ask for anything so we couldn't be turned down. We came to say what we were going to do. We came there and said that we were going to build a yard, that through all our plants we are able to manufacture practically everything that goes into the ship except the steel plate itself. Admiral Land at the time told me I was crazy, that this isn't the way a ship should be built and he hadn't heard of anybody coming in with his own money to build his own yard. But we went ahead and did it anyhow.

He didn't promise us any ships, he didn't say he would give us any ships; all he said was if we build a shipyard as we say, and we have a yard, there is no question but that the facilities would be used. They wouldn't let any facilities that are good lie idle. So we went ahead with our own money, with our own effort, and we kept on building.

Then bids were asked for coastal cargo vessels. We bid on those vessels. We were the lowest bidder on one of the categories. Then in conversation with the Maritime Commission, we were told that our ways were too large, we ought not to use up those large ways for small cargo vessels, so we stepped out of that bid, and we kept on building. Then when we were pretty nearly ready with our three ways and we were ready with the rest of the yard, we came back and kept showing them the progress we were making, until finally they called us and they said they were awarding to us 12 vessels, with certain conditions. These conditions were very tough.

Senator BALL. What is the total of that contract.

Mr. COHEN. It is 12 vessels at \$110,000 a vessel. That is what we receive as a fee, if we finish on time. If we don't finish it on time, then we are penalized \$400 a day, with a bottom of \$60,000 per vessel. If we finish it faster, then we receive \$400 a day for every day faster, and with a maximum of \$140,000. That is our contract.

Senator BALL. And what is the total cost of each vessel?

Mr. COHEN. I don't know; it depends upon the Maritime Commission.

Senator BALL. What is the estimate?

Mr. COHEN. The estimate?

Senator BALL. You are not setting out to build 12 ships without knowing that they are going to cost approximately.

Mr. COHEN. We don't have anything to do with the cost.

Senator BALL. You pay the cost.

Mr. COHEN. The Maritime Commission pays the costs.

Senator BALL. You pay them first and they reimburse you. That is their contract, isn't it?

Mr. COHEN. We advance it first on pay roll; yes. It may run into a million and a half dollars a ship.

Senator BALL. What is the estimate on the 12 ships?

Mr. COHEN. Between a million and a half and a million seven hundred; we don't know the exact figure.

Senator BALL. Your fee is based on the estimated cost?

Mr. COHEN. It has nothing to do with it.

Senator BALL. That is what it is supposed to be based on. That is in the law.

Mr. COHEN. I don't know about the law, but we are paid so much per vessel, not what the vessel cost. They may decide to change from steam engines to turbines, then the cost would be five times as much.

Senator BALL. On the plans and specifications when the contract was let, you had an estimated cost on which your fee was based, and I am trying to find out what it was.

Mr. COHEN. The fee wasn't based on estimated cost.

Senator BALL. What was the estimated cost?

Mr. COHEN. Between one million and a half and one million seven hundred thousand dollars.

Senator BALL. Plus your fee?

Mr. COHEN. Plus the fee. The fee has nothing to do with the cost.

Senator BALL. And Dempsey & Koplovitz were your attorneys while that contract was being negotiated?

Mr. COHEN. Oh, yes.

Senator BALL. And they checked the contract for you and helped you in the negotiations with the Maritime Commission?

Mr. COHEN. Yes.

Senator BALL. Did you know that Corcoran was employed by Dempsey & Koplovitz as an associate counsel?

Mr. COHEN. I knew that later; yes.

Senator CONNALLY. Mr. Cohen, you said something about Senator Joe Hill having something to do with this thing—Senator Joe Hill of Texas.

Mr. COHEN. I said I introduced Charlie West to Joe Hill.

Senator CONNALLY. What did he have to do with the Savannah Shipyard?

Mr. COHEN. Nothing.

Senator CONNALLY. Why did you introduce him? Did he ask you to introduce him to West?

Mr. COHEN. No.

Senator CONNALLY. Why did you bring Hill into this thing?

Mr. COHEN. I didn't bring him in.

Senator CONNALLY. You mentioned something about Senator Joe Hill. What was he doing at your place? What did he have to do with this deal?

Mr. COHEN. He had nothing to do with it.

Mr. CONNALLY. Did he just come by and pass the time of day with you, say "Howdy," or what? How come you introduced him to Charlie West? Why didn't you introduce him to Bob Jones?

Mr. COHEN. If Bob Jones had been there when I was talking to him, I would have introduced him to Bob Jones.

Senator CONNALLY. What happened was that West borrowed money from him and you paid Hill.

Mr. COHEN. West borrowed money from Hill.

Senator CONNALLY. Why did you feel called upon to pay Hill back for the money West borrowed, because you had introduced him?

Mr. COHEN. I never yet had a friend of mine get stuck because I introduced somebody to him.

Senator CONNALLY. Well, how long had you known Senator Hill?

Mr. COHEN. About 2 years.

Senator CONNALLY. Had you been associated with him in any way in these deals?

Mr. COHEN. No; it had nothing to do with this.

Senator CONNALLY. He had nothing to do with the Savannah Shipyard?

Mr. COHEN. Nothing whatsoever.

Senator CONNALLY. He had nothing to do with the order?

Mr. COHEN. Nothing whatsoever.

Senator CONNALLY. I wanted to get the facts. I didn't want implications cast on Senator Hill if nothing had been done.

Mr. COHEN. It is a shame his name should be brought in.

Senator CONNALLY. The first time I heard his name mentioned was in your testimony.

Mr. COHEN. Oh, no.

The CHAIRMAN. West testified to that.

Senator CONNALLY. I said that was the first time I heard about it this morning.

Mr. COHEN. I referred to it here because it was referred to yesterday.

Senator CONNALLY. That is right. That is satisfactory if it is a fact.

Senator BREWSTER. Wasn't Senator Joe Hill, of Texas, associated with an oil enterprise in Houston with which you are also associated?

Mr. COHEN. He wasn't associated—he was representing the Southport Petroleum Corporation of Houston.

Senator BREWSTER. In which you have an interest?

Mr. COHEN. Yes.

Senator BREWSTER. And you were undertaking to sell aviation gas to the Government?

Mr. COHEN. No; we weren't trying to sell aviation gas to the Government. The O. P. M. had sent someone down there to go over the refineries and the question of what facilities would be required for stepping up the production of aviation gasoline; and Mr. Hill was here, and Mr. Kroll, the president of the Southport Petroleum Corporation. They were meeting with these committees of the O. P. M.

Senator BREWSTER. Now, did you testify that on the board of the Empire Ordnance Co. there were two members representing the British Purchasing Commission?

Mr. COHEN. That is right.

Senator BREWSTER. And who were they?

Mr. COHEN. Mr. Murray and Mr. Quarrie.

Senator BREWSTER. Give their full names.

Mr. COHEN. George G. Murray and Bertrand Quarrie.

Senator BREWSTER. How do you spell the second name?

Mr. COHEN. Q-u-a-r-r-i-e.

Senator BREWSTER. And what is their official position?

Mr. COHEN. With the Empire Ordnance?

Senator BREWSTER. No. I understand they are directors there, but I mean their other connection.

Mr. COHEN. Mr. Murray is directly in the British Commission, and Mr. Quarrie was representing them on our board and in the management.

Senator BREWSTER. What are their positions in the British Purchasing Commission? Mr. Murray is chairman or just a member?

Mr. COHEN. I don't know what his official position is. Quarrie is not in the Commission. Quarrie is an American.

Senator BREWSTER. An American lawyer?

Mr. COHEN. No; he is a steel man.

Senator BREWSTER. Where does he live?

Mr. COHEN. In Cleveland, originally.

Senator BREWSTER. Cleveland, Ohio? And Mr. Murray is from England?

Mr. COHEN. Yes.

Senator BREWSTER. And he is a member of the British Purchasing Commission?

Mr. COHEN. Yes.

Senator BREWSTER. And still continues as a member of your board?

Mr. COHEN. Yes; until their contracts are run out.

FRANK COHEN'S BUSINESS ASSOCIATION WITH THOMAS G. CORCORAN

Senator BREWSTER. Now, about the connection of Mr. Corcoran, you say that you did not know about his employment by Dempsey & Koplovitz until sometime after?

Mr. COHEN. Yes; we had a meeting. Koplovitz was arguing with all these lawyers in Georgia that they had no right to issue these port authority bonds, and the question that was involved was that if we took these port authority bonds in payment for the work, we might end up where we would have no yard and we would have no bonds on which later to collect. The counsel for the city and the counsel for the county, and for the port authority, all took the position that they had a right to do it. Finally we decided to have a meeting here of all the lawyers; and it was at this meeting—

Senator BREWSTER (interposing). About what time was that?

Mr. COHEN. The exact date I don't know.

Senator BREWSTER. Could you fix the month?

Mr. COHEN. It was sometime in March 1941. At this meeting of all the lawyers Corcoran was present with Koplovitz, and after hours of discussion we finally compromised on an arrangement whereby part of the facilities might fall under the category of facilities of the port authority and the other part not. Then we went back again to Savannah, and when we got there—

Senator BREWSTER (interposing). I want to stick to the Corcoran connection. Was that the only time you saw Mr. Corcoran?

Mr. COHEN. That is the only time I saw him in connection with these Savannah shipyards.

Senator BREWSTER. The \$18,000 fees which you say you have paid to date to Dempsey & Koplovitz—do these include the compensation of Mr. Corcoran?

Mr. COHEN. So I understand. We didn't compensate Corcoran. We had nothing to do with that. I understand from his testimony that he received \$5,000 from them, which would be part of this eighteen.

Senator BREWSTER. Did they have an expense account as well as their fee?

Mr. COHEN.: They received a monthly retainer.

Senator BREWSTER. Of \$1,500?

Mr. COHEN. It ran between \$1,500 and \$2,000, depending on how much work was done.

Senator BREWSTER. Did they in addition have an expense account?

Mr. COHEN. So far they have paid their own expenses of traveling up and back. I don't think we have repaid them for any expenses yet.

Senator BREWSTER. So the Corcoran fee was never billed to you either as a fee or expenses?

Mr. COHEN. No; we were never billed for anything like it; we never paid anything like it. All our relationship is with the firm of Dempsey & Koplovitz?

Senator BREWSTER. How did you make your initial contact with Mr. Corcoran?

Mr. COHEN. As I have said—

Senator BREWSTER. I asked you how.

Mr. COHEN. By telephone from New York to Washington.

Senator BREWSTER. Where was his office then?

Mr. COHEN. I don't know. I telephoned first——

Senator BREWSTER. He has testified here that at that time he had an office with Dempsey & Koplovitz. Will that refresh your recollection?

Mr. COHEN. At the time we telephoned I don't know which office it was. We telephoned to Republic 6363.

Senator BREWSTER. You say "we."

Mr. COHEN. I did.

Senator BREWSTER. Did anyone assist you in contacting Mr. Corcoran?

Mr. COHEN. No.

Senator BREWSTER. And when you made your call on him, where was that call? Where did you see him?

Mr. COHEN. In the hotel.

Senator BREWSTER. At what hotel?

Mr. COHEN. He arranged to meet me in our hotel, the Mayflower.

Senator BREWSTER. He met you there?

Mr. COHEN. That is right.

Senator BREWSTER. Then he recommended you to Dempsey & Koplovitz?

Mr. COHEN. That is right.

Senator BREWSTER. When you got down there did you find Mr. Corcoran had offices there?

Mr. COHEN. I didn't even go to their offices. I called up Koplovitz—I was on my way to Savannah that day, and I called up Mr. Koplovitz and he came over.

Senator BREWSTER. You told him Corcoran had recommended him?

Mr. COHEN. Yes.

Senator BREWSTER. And he came over to the hotel?

Mr. COHEN. I explained what we were trying to do and asked him whether he could come along with me right now, and he came.

Senator BREWSTER. And you saw nothing of Mr. Corcoran until 2 or 3 weeks later, when there was this conference of the terms, at which they turned down the bond issue.

Mr. COHEN. That is right.

Senator BREWSTER. Did you have any talk with Mr. Koplovitz in the meanwhile about Mr. Corcoran's association?

Mr. COHEN. No.

Senator BREWSTER. Now, you started to say a little earlier that later on you saw Mr. Corcoran again. Will you go on with that—on affairs, I understand, other than shipbuilding.

Mr. COHEN. We became interested in a boat called the sea otter, which we thought could solve the convoy problem, so we arranged with Mr. Burgess, who was designing it, we advanced the money for drawing the designs, and we wanted to go into the building of that boat. There was a question involved as to who was to be responsible for that sea otter, and I talked to Bill, to Koplovitz, about it. We talked, and then one day by telephone——

Senator BREWSTER. What do you mean by responsible for the sea otter? What do you mean by that?

Mr. COHEN. This as a new idea of a smaller vessel which was to be built in order to carry a cargo across to England. We were right in the middle of all this transportation where we knew what the problems were, British transportation. Mr. Burgess had worked out this idea and he was testing out a model. We went out to see it with him, and I agreed that we would spend the money for him to finish up his designs and develop that boat. The theory of the thing was—and why we were sold on it—in the first place you didn't have to spend millions of dollars for shipyards to build it; in the second place, the way it would be built was good for the kind of organization we had, which was a mechanical organization, and we calculated we could turn out those little boats one every 2 or 3 days. The total cost of it would be about \$225,000. It could carry 1,800 tons of cargo. It only required about eight people. It was made out of the kind of steel where there was no bottleneck.

Senator BREWSTER. I am still renewing my question. What did you mean when you said, "We did not know who was to be responsible for the sea otter"? Can you address yourself to that?

Mr. COHEN. I thought you said "sponsoring."

Senator BREWSTER. No, "responsible" I thought you said. What do you mean?

Mr. COHEN. At that time the Navy was testing it out, the Maritime Commission was testing it out, the Coast Guard—everybody was focused on that.

Senator BREWSTER. You didn't know which department might be interested?

Mr. COHEN. We didn't know if any of them would be interested.

Senator BREWSTER. Now, where does Mr. Corcoran enter the picture?

Mr. COHEN. Koplovitz had discussed that with Corcoran and Koplovitz called me and said, "From the information that Corcoran has from the shipbuilding people, we would be foolish to go into it because it wouldn't be practical."

Senator BREWSTER. In other words, Mr. Corcoran had expert knowledge available in the shipbuilding business.

Mr. COHEN. He was with the Todd Shipbuilding people and the others.

Senator BREWSTER. Did you have any talk with Mr. Corcoran at that time?

Mr. COHEN. No; he called me on the telephone, or I called him, or I talked to him through Bill Koplovitz's telephone board, where he repeated what he told Koplovitz.

Senator BREWSTER. What other contacts did you have with him?

Mr. COHEN. Then, as we were finishing up our yard——

Senator BREWSTER. Let me finish that. You didn't pay him anything for that?

Mr. COHEN. No. As we were getting closer to finishing up the Savannah shipyard, the question arose as to whom to put in charge as an operating head. We had interviewed a number of people, various captains, various commanders of the Navy, and other people. The name of a Captain Easton came up, who was on the coast.

Senator BREWSTER. How do you spell that?

Mr. COHEN. E-a-s-t-o-n, I think it is. And each time we interviewed these people, of course, Koplovitz would know what we were doing,

and we would go back and refer to the Maritime Commission, because we always looked to them to approve any staff that we might employ. Koplovitz told me that Corcoran knew this Commander Easton, had met him in the Todd shipyards on the coast, and that he was going to check up and see whether he would be willing to come.

Senator BREWSTER. He was associated with Todd shipyards at that time in San Francisco?

Mr. COHEN. Correct. So he called up and this Commander Easton came; he visited Savannah, and he had been in Savannah in the previous war, and he remembered that he had been very sick, and so on, and he decided he and his wife would not live in Savannah, and he went back then to the coast.

Senator BREWSTER. Mr. Corcoran took that matter up with the Maritime Commission at that time for you, did he not?

Mr. COHEN. I think he spoke to either Captain Vickery or someone there to find out whether Easton could be available, because they would have to release him from the Todd Shipbuilding, which also had Maritime contracts.

Senator BREWSTER. So you wanted to be sure it met with their approval.

Mr. COHEN. That is what Koplovitz told me, that Corcoran had called up.

Senator BREWSTER. What was the next activity of Corcoran in your behalf?

Mr. COHEN. That is all I know of.

Senator BREWSTER. Did you ever see Mr. Corcoran in his office?

Mr. COHEN. The only time I saw Corcoran would be in Koplovitz's office.

Senator BREWSTER. And what was the last time you saw him?

Mr. COHEN. It is about 2 months, either a month or 2 months ago.

Senator BREWSTER. And in what connection was that?

Mr. COHEN. We were discussing this question.

Senator BREWSTER. That was the last time? He never made any other contacts for you, then?

Mr. COHEN. No.

Senator BREWSTER. Or took up any matter concerned with Empire Ordnance?

Mr. COHEN. No.

Senator BREWSTER. He never made any introduction for you?

Mr. COHEN. I think he one time called Mr. Amberg, of the War Department, assistant to the Under Secretary of War.

Senator BREWSTER. And when was that?

Mr. COHEN. It must be about 2 or 3 months ago.

Senator BREWSTER. And in what connection was that? How did that happen?

Mr. COHEN. There was a question of the American inspection taking over from the British inspection, and we had various problems connected with that inspection exchange. For instance, we thought we were very smart. We brought all our material in to be sure we would have no problems later, and each time we bought our material the British inspection would have to pass on it first before we used it. Well, apparently, the British mode of inspection was what they call spot or 10-percent inspection, and when the United States came in it

was a question that their modes were 100 percent inspection, and here we had all the material and we didn't know how this inspection idea would work. So I spoke to Mr. Amberg.

Senator BREWSTER. Why did you want to see Mr. Amberg?

Mr. COHEN. To get an idea how this inspection system would work.

Senator BREWSTER. Mr. Amberg doesn't handle inspection, does he?

Mr. COHEN. No.

Senator BREWSTER. What is Mr. Amberg?

Mr. COHEN. He is Assistant to Under Secretary of War. I was going to find out in the Ordnance Department who I would have to talk with.

Senator BREWSTER. Do you mean to say after all your dealings you didn't know the one in the Government who had charge of this inspection?

Mr. COHEN. We hadn't had any dealings with the Government on this inspection at all. It was a take-over.

Senator BREWSTER. Was there a representative of the Ordnance Department at your plant at that time to conduct the inspection?

Mr. COHEN. No; just going to come in. And we had two inspections at that time. In some of the plants we had British inspection and American inspection. In some, only British inspection.

Senator BREWSTER. When did you first learn there would be American inspection?

Mr. COHEN. We received a letter from the British saying they had made arrangements with the United States Ordnance for them to take over the inspection.

Senator BREWSTER. What was the date of that letter, approximately?

Mr. COHEN. Sometime in September.

Senator BREWSTER. Sometime in September. And then you decided you would find out as to who was going to handle the inspection for the American Government?

Mr. COHEN. No; not who was going to handle the inspection.

Senator BREWSTER. You knew that.

Mr. COHEN. The Government has a regular inspection department. It was a question of how that would affect us. That is what I wanted to know.

Senator BREWSTER. Why didn't you go directly to the Ordnance Department?

Mr. COHEN. That is what I was trying to do, find out who would know what effect that would have on our contracts between the American and the British.

Senator BREWSTER. Was it necessary for you to get an introduction by Mr. Corcoran to Mr. Amberg in order to accomplish that?

Mr. COHEN. I don't think it would have been necessary. It so happened that was the way it was done.

Senator BREWSTER. Where were you when Mr. Corcoran called Mr. Amberg?

Mr. COHEN. In Mr. Koplovitz's office.

Senator BREWSTER. And Mr. Corcoran was there?

Mr. COHEN. Yes.

Senator BREWSTER. You were all three there together?

Mr. COHEN. Yes.

Senator BREWSTER. Are contacts with Government officials rather difficult here, Mr. Cohen?

Mr. COHEN. No; I wouldn't say that. It isn't a question of meeting a Government official. It is more a question of knowing which Government official to meet, once you know who you have to—

Senator BREWSTER (interposing). You knew definitely you wanted to see Mr. Amberg. How did you determine that? You never heard of Mr. Amberg before?

Mr. COHEN. No; I hadn't met him, didn't know he was the one I was to meet.

Senator BREWSTER. Who developed that idea? Who thought of seeing Mr. Amberg?

Mr. COHEN. Mr. Corcoran called Mr. Amberg.

Senator BREWSTER. Did Mr. Corcoran suggest Mr. Amberg would be the one to see?

Mr. COHEN. Yes.

Senator BREWSTER. He was the one who thought that would be the right man to see?

Mr. COHEN. That is right.

Senator BREWSTER. Did he know Mr. Amberg?

Mr. COHEN. I don't know.

Senator BREWSTER. There were no fees involved as far as these contracts were concerned?

Mr. COHEN. No.

Senator BREWSTER. But Mr. Corcoran was simply acting in a friendly capacity.

Mr. COHEN. That is right.

Senator BREWSTER. As he had in these various other matters.

Mr. COHEN. That is right. We were so busy, right up to our ears, and every hour we could save of moving around, it was very essential to us to move around and tend to our business. We had been working in our plants—

Senator BREWSTER (interposing). Now, is it necessary, Mr. Cohen, in your experience here in Washington, to get as busy a man as Mr. Corcoran to make an appointment with an official?

Mr. COHEN. No.

Senator BREWSTER. That just happened?

Mr. COHEN. I was up there talking about it, and the next thing I knew he had suggested that I go see Mr. Amberg, he probably could tell what the policy was going to be.

Senator BREWSTER. Have you seen Mr. Corcoran since this investigation developed?

Mr. COHEN. No.

Senator BREWSTER. When did you see him last?

Mr. COHEN. It must be about a month.

Senator BREWSTER. About a month ago. And where was that?

Mr. COHEN. In Koplovitz's office.

Senator BREWSTER. How nearly can you fix that date?

Mr. COHEN. I don't know.

Senator BREWSTER. You can't fix it, but it is about a month?

Mr. COHEN. It just left that impression on me.

Senator BREWSTER. Did Mr. Corcoran tell you that there was an investigation on of his relations with your concerns?

Mr. COHEN. No.

Senator BREWSTER. He didn't say anything about it?

Mr. COHEN. It was before we ever heard of this; yes, sir.

Senator BREWSTER. You didn't know anything about any investigation?

Mr. COHEN. No, sir.

Senator BREWSTER. What were you discussing?

Mr. COHEN. Something in connection with the yards there, with Koplovitz.

Senator BREWSTER. The Savannah Shipyards?

Mr. COHEN. The Savannah Shipyards.

Senator BREWSTER. As late as a month ago?

Mr. COHEN. Yes.

The CHAIRMAN. Mr. Cohen, do you know a gentleman in Washington by the name of C. B. McDaniel?

Mr. COHEN. Yes; I knew him.

The CHAIRMAN. Have you ever employed him?

Mr. COHEN. No.

The CHAIRMAN. You have never paid him any fees?

Mr. COHEN. We haven't paid him any fees; no.

The CHAIRMAN. Did you ever pay him any salary?

Mr. COHEN. No.

The CHAIRMAN. The committee will take a recess until 2:30 this afternoon.

(Whereupon, at 12:25 p. m., the committee recessed until 2:30 p. m. of the same day.)

AFTERNOON SESSION

The committee reconvened at 2:37 p. m., the chairman, Senator Truman, presiding.

FEES PAID CHARLES WEST BY FRANK COHEN

The CHAIRMAN. The committee will come to order.

Mr. Cohen, this morning I was trying very diligently to find out from you just what you paid Mr. West for, and I never did succeed in finding out. Will you try to tell me now after the recess just why you paid Mr. West this money? What did he do to earn that money?

Mr. COHEN. The money we paid him—sometime in February when I suggested that he take a job with the Savannah Shipyards as a secretary and take charge of all the forms that we would have to work out—

Senator HATCH (interposing). Mr. Cohen, you are doing a lot of hesitating and waving your hands. Why don't you answer the question directly.

Mr. COHEN. I am trying to. It is hard to explain it.

The CHAIRMAN. Senator Hatch, I tried all morning to get Mr. Cohen to answer that question and he never did answer it.

Senator HATCH. It just amused me because I have seen so many witnesses in my life, and when they begin to hesitate and hem and haw, I have some very good ideas of what is in their minds. Why don't you answer straight from the shoulder?

The CHAIRMAN. That is the best thing to do. You are not in a court at all. You are before a Senate committee and that committee is going to find out the facts whether you tell them or not.

Mr. COHEN. I will tell you whatever you want to find out.

The CHAIRMAN. I have the photostatic copies of checks which you gave the committee, and we want to know what you gave all the checks for. You told me this morning, for nothing. I can't believe that, and I am very frank to say that.

Mr. COHEN. You see, it is divided in two parts. You will find the first checks that were given were what we charged to the account of Orgill, Maschke & Duffy. West had asked me to help him out and pay for hotel bills, pay for expenses, and so on.

The CHAIRMAN. You didn't help Mr. West out just because he asked you. You helped him out because you thought he would be of some use to you. What use was he?

Mr. COHEN. He wasn't any. I told you this morning he wasn't of use to us.

The CHAIRMAN. But you paid him a lot of money.

Mr. COHEN. I paid these moneys for the account of Orgill's firm. I charged it to them. Then in February when he suggested that he take the job at a fixed salary, I started paying those salary checks. That was when he was given this nomination to the transportation commission, when he thought he wanted to be in the Government service again.

The CHAIRMAN. You didn't know West until he was introduced to you by Mr. Duffy?

Mr. COHEN. That is right.

The CHAIRMAN. And why should you have any interest in whether Mr. West was confirmed or not by the Senate in his new job? If he didn't do anything, you spent a lot of money because somebody introduced you to West.

Mr. COHEN. It was on account of Duffy that we paid him, and each time we gave a check I called him and asked him to help him out because he had to pay hotel bills, he had to pay telephone bills; as I said, his wife was being operated on. Then I would call Mr. Duffy and ask him whether it was all right to pay him.

The CHAIRMAN. That is not the reason you paid Mr. West. I want to know why you paid Mr. West.

Mr. COHEN. I didn't pay him. I am trying to tell you.

The CHAIRMAN. Here are the checks signed by you.

Mr. COHEN. Yes; and charged to Mr. Duffy and Mr. Orgill.

The CHAIRMAN. I don't know whom they are charged to; they are signed by you.

Mr. COHEN. We charged them against the monthly retainer they were to get from us.

The CHAIRMAN. You wouldn't pay out all this money. I wish somebody would introduce me to you—I need a lot of money—if you are that easy. I would like to know why you do it.

Mr. COHEN. As I say, I was paying it on the account of Mr. Orgill.

The CHAIRMAN. Mr. West must have been doing something for all this money.

Mr. COHEN. He was working with Mr. Duffy.

The CHAIRMAN. Mr. West testified yesterday before this committee that he had made certain arrangements with the War Department in your interest for this money.

Mr. COHEN. If he did, we didn't know it, because he did nothing for us.

The CHAIRMAN. You paid him.

Mr. COHEN. I am trying to tell you we didn't pay him. We paid Mr. Duffy and Mr. Orgill.

The CHAIRMAN. Here is a check for \$750 paid out to Charles West and signed by you.

Mr. COHEN. That is right.

The CHAIRMAN. And here is a check for \$250 signed by you and endorsed by Mr. West.

Mr. COHEN. That is right.

The CHAIRMAN. Here is a check for \$2,000 signed by you.

Mr. COHEN. That is right.

Senator HATCH. What is right?

Mr. COHEN. The amount. We gave you the checks.

The CHAIRMAN. He gave the checks to the committee; he knows what I am talking about, and it is endorsed by Mr. West. Here is a check for \$250 dated January 7, made out to Charles West and signed by you. Here is a check for \$250 signed by you and endorsed by Charles West. They add up to a lot of money. You said \$4,900 this morning. Mr. West testified this morning, or rather yesterday, that is was some \$13,000.

Mr. COHEN. This is the money we charged up to Mr. Orgill's firm and that I paid out on account of Mr. Orgill's fee and charged to their fee.

The CHAIRMAN. You wouldn't have paid Mr. West this money if he hadn't done something for the money, would you?

Mr. COHEN. He was working with Mr. Duffy, of Mr. Orgill's firm.

The CHAIRMAN. Mr. Duffy introduced Mr. West to you, didn't he?

Mr. COHEN. And Mr. Duffy was there working with Mr. West.

The CHAIRMAN. What did Mr. Duffy tell you when he introduced Mr. West to you?

Mr. COHEN. That Mr. West would help Mr. Duffy.

The CHAIRMAN. In what way?

Mr. COHEN. As I explained to you this morning, Mr. Duffy came down in place of Mr. Orgill. I explained to him that we had the contracts. We were drawing up these contracts. I needed legal advice to be sitting alongside of me. We also needed to get the releases of facilities, and we were all very busy with the plants, and I asked Mr. Duffy whether he could take care of following through on the release of the facilities. He brought Mr. West, and Mr. West was working with Mr. Duffy.

The CHAIRMAN. What did Mr. Duffy tell you Mr. West would do when he introduced you to Mr. West?

Mr. COHEN. That he would help him; that he would save him the time.

The CHAIRMAN. In what way?

Mr. COHEN. In going around to the different departments.

The CHAIRMAN. You still haven't answered the question, yet you paid out all of this money for Mr. West's services, and as far as you have told this committee, you just made a donation to Mr. West because Mr. Duffy introduced him to you.

Mr. COHEN. I didn't make any donation to Mr. West.

The CHAIRMAN. That is what it looks like.

Mr. COHEN. No; we didn't. We charged that to Mr. Duffy and Mr. Orgill's legal fee. If I had given Mr. West \$250, at the end of the month I sent \$750 to Mr. Orgill's firm. We would take it off and they in turn would charge it to him.

The CHAIRMAN. I read these checks a while ago. They add up to a good deal of money, and this is only a part of them, so I am told.

Mr. COHEN. The checks that we gave after February, as I have told you, were \$4,900, and that all together, according to the records, is \$11,000.

The CHAIRMAN. You told us this morning \$4,900 is all you paid.

Mr. COHEN. That is all we paid him for acting for us.

The CHAIRMAN. But he got \$11,000, and you made him a donation of \$11,000.

Mr. COHEN. No; the \$4,900 is in the \$11,000.

The CHAIRMAN. I can't understand it.

Mr. COHEN. I don't know how to explain it to you.

The CHAIRMAN. Do you have a question, Mr. Fulton?

Mr. FULTON. I thought I might clear up that Orgill-West-Duffy set-up. Mr. Orgill was a partner and so was Mr. Duffy a partner in a Cleveland firm called, Orgill, Maschke, Wickham, Duffy & Loux.

Mr. COHEN. Correct.

Mr. FULTON. Mr. Orgill is also the same Orgill who put up some cash, you said.

Mr. COHEN. That is right; he is a stockholder.

Mr. FULTON. And received what, a 10 percent interest?

Mr. COHEN. Five percent.

Mr. FULTON. You furnished me with an affidavit of Mr. Duffy's in which Mr. Duffy admits having introduced Mr. West to you.

Mr. COHEN. That is right.

Mr. FULTON. And he says, "I didn't ask him specifically to do anything for Empire. It was just a general help problem."

Mr. COHEN. That is right, to him, to Duffy.

Mr. FULTON. Do we correctly understand that that is all that you think Mr. West did, was to help Mr. Duffy?

Mr. COHEN. That is right.

Mr. FULTON. Now, Mr. West testified when examined by your attorney that he expected to receive 1 percent of the British contract, and you told him that was about \$5,000,000; do you recall reading that as part of what he said?

Mr. COHEN. I read that.

Mr. FULTON. And that he, therefore, thought that \$50,000 was coming to him, and had a settlement conference with you in which he says, whether rightly or wrongly, that you told him that \$36,000 should be paid instead of \$50,000—\$6,000 down and \$1,000 a month until the balance of \$30,000 was paid. Do you recall that?

Mr. COHEN. I don't recall what he said there.

Mr. FULTON. You recall that he said something similar to that?

Mr. COHEN. I don't recall what he said, but that isn't the fact.

Mr. FULTON. What would be your comment about that? Did you hold such a conference with him?

Mr. COHEN. Not with him. That is the reason we got the affidavit from Mr. Duffy, because he said at a meeting with Mr. Duffy and with me that I had agreed to pay him 1 percent commission on everything we would sell. That wasn't a fact. I had never had any meeting with him and Mr. Duffy where we discussed anything like it, nor did we ever agree to pay him any commission; so we got an affidavit from Mr. Duffy. Did you read the affidavits?

Mr. FULTON. That is what I was coming to. What Mr. Duffy says is that Orgill had been representing you, or his firm had been representing you, for about one year previous to that.

Mr. COHEN. Orgill had been representing me for many years, but in the Empire—

Mr. FULTON (interposing). He says 1 year and you agreed to retain them for an additional 2 years, or a total of 3 years, 1 for past services and 2 for future, at \$1,000 a month, which would be \$36,000.

Mr. COHEN. That is right.

Mr. FULTON. You paying \$6,000—

Mr. COHEN. \$6,000 at the time.

Mr. FULTON. So there would be \$30,000 due; so to that extent you would agree with Mr. West that there was a discussion of \$36,000.

Mr. COHEN. Not with Mr. West, with Orgill. West claimed from Duffy later one-third of whatever retainer fee they got from us.

Mr. FULTON. But West was present, was he not?

Mr. COHEN. He was present later on.

Mr. FULTON. When you spoke of this \$36,000 amount to be paid, you thought it was to Orgill or Duffy?

Mr. COHEN. I was called to Mr. Orgill's office sometime in December and Orgill told me that he was having trouble with West, that West was claiming that he had an arrangement with Duffy to get one-third of his retainer, the legal retainer he had with us. At that time the understanding with Orgill was that he was being retained for the years 1940 and 1941, at \$1,000 per month.

Senator HATCH. I didn't understand the division of the retainer.

Mr. COHEN. I say Mr. Orgill called me to Cleveland. I met him in Cleveland, in his office, their legal offices in Cleveland. He said he was having difficulties with Mr. West, that Mr. West was claiming from Mr. Duffy and through Mr. Duffy a one-third interest in any legal fee they were getting from us as legal retainer. Our arrangement with Mr. Orgill was \$1,000 a month for the year 1940, and also for the year 1941. When they got into this discussion and Orgill told me his problems with him, instead of having any fuss about it, I increased the time of the retainer to one more year, so they would be our legal representatives for the years 1940, 1941, and 1942, at \$1,000 a month.

The CHAIRMAN. Mr. Cohen, isn't it true that you organized this company of yours on a shoestring—and I give you credit for having been able to do that—and that you were desperately in need of orders and releases from the Government, and that you were willing to hire anybody or pay any sum of money to get that thing through so you could make these plants work, in which you invested money that you borrowed, and you wanted to hire Mr. West or Mr. Corcoran or anybody else who had a little influence with people down the street to get the job done?

Mr. COHEN. No; Senator, that is not the case. When you say we started with a shoestring, if you mean we started with very little money, correct; we didn't have very much money.

The CHAIRMAN. I am not going against you for that. I think you are to be complimented on that, but I think you used methods that are anything but ethical in getting the job done.

Mr. COHEN. At the time West came on the scene, we already had our contract with the British. We weren't desperate for contracts.

The CHAIRMAN. I am not talking about the British. I don't care what you did for the British because at that time they were using their own money. I do care now because they are using our money.

Mr. COHEN. I never had any other contracts.

The CHAIRMAN. You had to have releases from the American Government before you could do business with the British and you had to have somebody get the releases for you, and you didn't care how much it cost.

Mr. COHEN. It wasn't a question of how much it cost. It was a question of time. We needed the release of facilities by the United States Government; they had to say they didn't need the facilities for themselves before we could manufacture on behalf of a foreign government. We didn't need anybody for the contract. We already had it.

The CHAIRMAN. I am not talking about getting contracts from the American Government but you had to have certain releases from the American Government before you could carry out the contract with the British.

Mr. COHEN. Yes; we had to have the release of facilities.

The CHAIRMAN. And you had to have some machine tools from the United States Government before you could operate. Didn't you get tools from the Watervliet Arsenal?

Mr. COHEN. We leased a number of tools from the arsenal.

The CHAIRMAN. Does the Government pass those out to anybody who wants them?

Mr. COHEN. Anybody that is helping in the defense program. That isn't what I am talking about in the release of facilities. In other words, for a manufacturer to do any manufacturing in his plant for anyone but the United States Government, the Government has to certify that they don't need that plant for their service. That is what we mean by the release of facilities. That is what we had to get. It had nothing to do with moneys.

Senator HATCH. Mr. Cohen, how old are you?

Mr. COHEN. Forty-eight.

Senator HATCH. Anyway, you are past 21?

Mr. COHEN. Yes.

Senator HATCH. You have had a considerable experience in life, haven't you?

Mr. COHEN. Yes.

Senator HATCH. You don't go around giving men—how much was it, 10, 12—

The CHAIRMAN. \$11,000.

Senator HATCH. \$11,000 for doing nothing.

Mr. COHEN. I didn't give it for nothing. I maintained an organization in the Empire Ordnance Corporation for 5 months and kept the personnel going, and if we hadn't gotten any orders, then all you can

say is that we paid it out for nothing; but we didn't pay it out for nothing we maintained the personnel.

Senator HATCH. You don't pay \$11,000 for nothing?

Mr. COHEN. At the time I pay it I don't think it is for nothing. It may turn out to be for nothing.

Senator HATCH. You don't intend to pay \$11,000 and not get value received?

Mr. COHEN. Right.

Senator HATCH. Certainly. Why don't you answer truthfully?

Mr. COHEN. I am trying to.

Senator HATCH. Why don't you tell us. Isn't this the story? You knew Mr. West.

Mr. COHEN. I did not know him. I never knew the man.

Senator HATCH. You knew of him.

Mr. COHEN. I never knew of him, either.

The CHAIRMAN. You are the only man in the United States that didn't know of him.

Mr. COHEN. I think you may find one more in these 130,000,000 people, I don't know.

Senator HATCH. Such is fame! A man who had been Congressman from Ohio, Undersecretary of Interior, very close to the White House, contact man between the White House and the Congress, and you never heard of him?

Mr. COHEN. That is right.

Senator HATCH. But you did pay him \$11,000.

Mr. COHEN. I did not. I am trying to say it all the time.

The CHAIRMAN. The checks here are signed by you, Mr. Cohen.

Senator HATCH. Mr. Cohen, really, wait a minute, I am very serious about that. I know and you know whether it was through Mr. Duffy or yourself—now isn't this true, you thought Charlie West could do you some good down here in the departments of Washington, and you were perfectly willing to pay ten, eleven, twelve thousand, or whatever sum was necessary. Now don't deny that, please don't. Don't insult our intelligence.

Mr. COHEN. When Mr. Duffy introduced him to us and told us that he was going to help him, I assumed he could help him.

Senator HATCH. O. K. That is all.

He isn't a lawyer, and as for the splitting of fees, if Mr. Duffy did what you said, if he divided fees with Charlie West, he ought to be disbarred.

Mr. COHEN. That is his affidavit. I can't go over that.

PRIOR CONNECTIONS OF OFFICIALS OF EMPIRE ORDNANCE CORPORATION

Senator BRIDGES. Mr. Cohen, were you ever indicted?

Mr. COHEN. Look! That is another unfair statement to me, in this way.

Senator BRIDGES. It is not unfair to ask whether or not you were indicted. You can answer yes or no.

Mr. COHEN. Yes; I was indicted foolishly and they nolle prossed themselves. They never called me. They never brought me there. And in fairness to you as Senators here, in fairness to me, if you want to go into that, give me 1 day and I will bring in all the witnesses and bring in anybody you want.

Senator BRIDGES. Where were you indicted?

Mr. COHEN. Atlantic City.

Senator BRIDGES. What month and what year?

Mr. COHEN. I don't remember.

Senator BRIDGES. Was it May 1939?

Mr. COHEN. I don't remember the year.

Senator BRIDGES. You have been indicted other times, so that didn't stand out in your life, did it?

Mr. COHEN. I don't think you should make that statement because I never was indicted any other times. Personally, I don't think that is fair.

Senator BRIDGES. It goes to establish your background and record.

Mr. COHEN. As to what?

Senator BRIDGES. As to whether or not you should do business as a reputable concern.

Mr. COHEN. Isn't that up to the reputable concerns whether they want to do business with me?

Senator BRIDGES. Were you forced to make restitution?

Mr. COHEN. No; I wasn't forced to do anything.

Senator BRIDGES. You weren't?

Mr. COHEN. No.

Senator BRIDGES. You weren't forced to make restitution?

Mr. COHEN. Mr. Chairman, I am willing to answer any of these questions if you want to set aside 1 day; give me the day and let me bring the people to you and I will go into it.

The CHAIRMAN. Mr. Cohen, the Chair rules that you must answer the questions.

Senator BRIDGES. You have said you were indicted in New Jersey, and I have added May 1939, and you say you can't remember.

Mr. COHEN. That is right.

Senator BRIDGES. And I asked you whether you were forced to make restitution.

Mr. COHEN. And I am telling you I wasn't forced and I didn't make restitution, and I didn't take anything for anybody to make restitution on.

Senator BRIDGES. Did you make restitution even though you weren't forced to?

Mr. COHEN. I told you I made no restitution because I took nothing from nobody, so there was nothing to make restitution on.

Senator BRIDGES. Suppose the evidence were produced to show you did?

Mr. COHEN. Suppose the evidence were produced that I didn't; then what? If you want to go into the evidence, set aside some time, and I will bring in anybody you want and go through the whole business.

Senator BRIDGES. Were you ever denounced by the insurance commissioner of Massachusetts as a "mad dog of insurance"?

Mr. COHEN. Sure; that is the insurance commissioner that I impeached. Do you want to go into that? We asked for a legislative hearing, and the man who put that in the newspaper took it out of the context here. He didn't take the rest. He didn't say the man was a cheat and liar and the senators and representatives in joint legislative hearing so ruled and kicked him out.

Senator BRIDGES. Were you ever barred by the New York State Insurance Commissioner from being an official of an insurance company in New York?

Mr. COHEN. That is another one of those statements. The very time the statement was made, I was chairman of the board of another insurance company in the State of New York.

Senator BRIDGES. You seem to be in trouble all the way around.

Mr. COHEN. I am only in trouble the way you ask it. I am not in trouble.

Senator BRIDGES. I think I have permission to ask a question or two here.

The CHAIRMAN. Proceed.

Senator BRIDGES. Have your insurance operations ever been investigated by the S. E. C.?

Mr. COHEN. I have been investigated by the S. E. C., by the F. B. I., by everybody in existence, I think.

Senator BRIDGES. So you have been investigated?

Mr. COHEN. Everything that anybody could do to us has already been done to us to stop us from trying to do any work. To show the stupidity of the thing, we had the F. B. I. come up to the office and accuse us of sabotaging the defense program because someone anonymously wrote a letter, and here we had been working for 24 hours a day for days and days and days.

Senator BRIDGES. Going back to your discussion of your employment of Mr. Corcoran, or retaining Mr. Corcoran. I am informed that you said this morning that you had not contacted or heard from him or seen Mr. Corcoran regarding any inquiry being made about your company before this committee. Is that correct?

Mr. COHEN. I don't know how the question was asked me.

Senator BRIDGES. I understood it was brought out here this morning that you weren't contacted by Mr. Corcoran or you weren't consulted by him or you didn't get in touch with him or have any connection with him about this inquiry.

Mr. COHEN. That is correct; I didn't talk with him.

The CHAIRMAN. Senator Brewster asked that question this morning.

Senator BRIDGES. Let me ask you this then. Did you contact Mr. Corcoran or were you contacted by Mr. Corcoran either through a third person or a counsel or in person or over the telephone by indirection; I mean about this inquiry?

Mr. COHEN. Koplovitz talked to me about it and I talked to him about it.

Senator BRIDGES. So that Koplovitz was the go-between between you and Corcoran.

Mr. COHEN. I couldn't say he was the go-between. I would say I talked with him.

Senator BRIDGES. So actually what you said this morning was not true, that you were not in contact with Corcoran about the inquiry.

Mr. COHEN. That isn't so.

Senator BRIDGES. You said you talked with Koplovitz.

Mr. COHEN. That is right; I talked to him this morning; I talked to him last night.

Senator BRIDGES. And your license with Corcoran was brought about through your license with Koplovitz; is that true?

Mr. COHEN. No; the reverse. Corcoran is the one who introduced me to Koplovitz.

Senator HATCH. Who introduced you to Koplovitz?

Mr. COHEN. Mr. Corcoran.

Senator HATCH. Thomas Corcoran?

Mr. COHEN. That is right.

Senator BRIDGES. And now talking about the present, when you talked with Mr. Koplovitz lately, did you send any messages to Mr. Corcoran or did he send any to you?

Mr. COHEN. No.

Senator BRIDGES. Mr. Corcoran's name wasn't mentioned?

Mr. COHEN. I read Mr. Corcoran's statement before this committee, but I didn't send any messages to him and he didn't send any messages to me.

Senator BRIDGES. And that would be a normal, customary thing for a man who was brought before a Senate committee, and he has an attorney by the name of Corcoran, indirectly or directly, that he wouldn't get in touch with him?

Mr. COHEN. Corcoran is not our attorney; Koplovitz is our attorney.

Senator BRIDGES. Corcoran was by indirection, wasn't he?

Mr. COHEN. Sometime back.

Senator BRIDGES. What would you say if evidence were produced here to show you were in touch with Mr. Corcoran within the last 48 hours?

Mr. COHEN. If anybody could prove evidence that I was in touch with Mr. Corcoran in the last 48 hours, he would just be a damned liar.

Senator BRIDGES. All right. Will you say whether or not there was any question of stock compensation to Mr. Corcoran? Has that ever been discussed by you or any members of your associates or officials?

Mr. COHEN. Never.

Senator BRIDGES. Never?

Mr. COHEN. No.

Senator BRIDGES. Was there ever any discussion that Mr. Corcoran might be an official of the Empire Ordnance Co.?

Mr. COHEN. Never.

Senator BRIDGES. You never discussed that with anybody?

Mr. COHEN. I will tell you who called up about that if you want to know. Some reporter.

The CHAIRMAN. Tell us who it was.

Mr. COHEN. Some reporter called up my house while I wasn't there, and talked to Mrs. Cohen and asked three questions, because he said that he had a great scoop and he wanted to find out first whether it was true.

The CHAIRMAN. Who was the reporter?

Mr. COHEN. I don't know his name.

The CHAIRMAN. Was his name Tom Stokes?

Mr. COHEN. I don't know his name. He wanted the answer to three questions. He wanted to know whether I was a brother of Benjamin V. Cohen, and my wife said "No."

The CHAIRMAN. Let me ask you another question. Is Ben Cohen, the attorney and partner of Tommy Corcoran, a relative of yours?

Mr. COHEN. I was saying that is what this reporter called up to ask me, if he was my brother or any relation.

The CHAIRMAN. Is he?

Mr. COHEN. My wife said, "No, he is not," and he wanted to know whether Mr. Dowd was the brother of Mrs. Corcoran, because her maiden name was Peggy Dowd. She said "No." The next thing,

he wanted to know was Mr. Corcoran an officer of our company on salary, and she said she didn't know who the officers were on salaries; and the next thing we knew, the newspapers carried a story that Corcoran was an officer of the company. We have in the purchasing department a fellow by the name of R. J. Corcoran, and if he walked in here I wouldn't know who he was.

Senator BRIDGES. Did Mr. Quarrie, who was a member of the British Purchasing Commission, dine with you at various times when negotiations were under way?

Mr. COHEN. Certainly. He is not with the British Purchasing Commission.

Senator BRIDGES. Who is he?

Mr. COHEN. Quarrie is a steel man. Quarrie is a trustee of Case Institute, he is a graduate of Case Institute, he was vice president of the Allegheny Steel Co., he was vice president of the Otis Steel Co., and general manager; he was general manager and vice president of the Cleveland Wire & Rope; he has been a steel man all his life.

Senator BRIDGES. Does he have any connection with the British Purchasing Commission?

Mr. COHEN. He was put in as manager with us at the request of the British Purchasing Commission.

Senator BRIDGES. So he did represent the British Purchasing Commission?

Mr. COHEN. I said that this morning; he represented the British Purchasing Commission on our board, but he is not a member of the Commission.

Senator BRIDGES. Who introduced you to Mr. Quarrie?

Mr. COHEN. I have known him for about 10 years.

Senator BALL. I would like to go a little into the experience of your officers. Prior to the setting up of this Empire Ordnance you had never had any experience in ordnance manufacture?

Mr. COHEN. I never was a manufacturer. I never had any experience in ordnance.

Senator BALL. Your background was financial and promoting.

Mr. COHEN. I have one ability, and that is not in manufacture, and that is not as an ordnance man. I have an ability to organize and I have an ability to see that things work, and that is what I did.

Senator BALL. Mr. Dowd, what is your business background?

Mr. Dowd.¹ Well, Yale, the Army, banking, construction, and then ordnance.

Senator BALL. Ordnance when you came into this?

Mr. Dowd. Yes; but in 1914, '15, '16, '17, '18, '19, '20, and '21, I was very closely associated with ordnance because I was instructor in matériel. From '14 to '16 I was one of the Regular Army officers at Yale, headed by Captain Bard, Chief of Field Artillery, United States Army, and subsequently in service in the war. I resigned from the Army in '21, and after further business experience, went with the Empire Ordnance.

Senator BALL. In the war you were an officer of artillery and instructor at Yale, as I take it, which doesn't include the manufacture of ordnance, of course.

Mr. Dowd. But we are very familiar with it and its parts.

¹ B. S. Dowd, president, Empire Ordnance Corporation.

Senator BALL. And then your business experience since the war has been in banking?

Mr. DOWD. In banking.

Senator BALL. Banking and construction?

Mr. DOWD. That is right.

Senator BALL. How about Mr. Voyes; what is your business background?

Mr. VOYES.¹ Since the war?

Senator BALL. Yes.

Mr. VOYES. I was a pilot in the French Army during the war. Immediately after that I was adviser to General Mannerheim in Finland regarding the purchase of ordnance for Finland. I spent some time, 8 or 9 months, with Bofors of Sweden, manufacturers of ordnance, then I came back to the States and specialized in aircraft. I was connected with the Curtiss-Wright Corporation; for a number of years I ran a school and aircraft repair station of my own, and aircraft brokerage concern, liquidating the British-Wright Aircraft of the Curtiss-Wright Flying Service that went into bankruptcy, and all through those years I was interested in ordnance and did know something about the manufacture of it.

I had been in Skoda in Czechoslovakia, I knew Vickers in England, and kept my contacts with those people right along. Finally, in 1937, we tried to form an ordnance concern. We found there was no such thing in the United States and we decided to try and organize one with Mr. Driggs who had been in business for I think 40 or 50 years, and I think that time was the inception of the Empire Ordnance Corporation, because at that time we formed the corporation called the Driggs Engineering Corporation. We designed mounts for the Government, we designed some ordnance, we manufactured some.

Senator BALL. You came into this Empire Ordnance through the Driggs?

Mr. VOYES. Two or three years later when we went with Mr. Cohen and formed the Empire Ordnance.

Senator BALL. Are you the production executive?

Mr. VOYES. I am one of the production executives.

ORGANIZATION AND OPERATIONS OF EMPIRE ORDNANCE CORPORATION

Senator BALL. Who runs the production?

Mr. COHEN. May I explain that? I will start from up at the further end, at the West Pittston Iron Works. At the West Pittston Iron Works, of which you have some photostats here, we machine and drill armor plate. We receive the armor plate from Republic Steel. We machine and drill it and send it to Press Steel, Pullman, Lima Locomotives, and so on. We do this machining and drilling and manufacture 38 sets every 2 days, or enough for 8 tanks every 2 days. The man in charge is Mr. Burleson, the manager. Each place has its own manager and its own plant.

Then we move over to the Wilkes-Barre Carriage Co. where we make the mounts.

Mr. DOWD. The Army has asked us not to disclose the amount of production.

Senator BALL. I am not asking for that. What salaries do you pay your plant managers, roughly?

¹ Raymond Voyes, vice president and secretary, Empire Ordnance Corporation.

Mr. COHEN. \$15,000, \$12,000, \$20,000. Nobody can get more than \$25,000 salary in the whole outfit under arrangements we have with the British.

Senator BALL. You mean from any one company?

Mr. COHEN. From all the companies.

Senator BALL. You draw more than that, don't you?

Mr. COHEN. I do not. I am on the books for more, but I don't draw it.

Senator BALL. It accumulates. It is coming to you.

Mr. COHEN. If it is going to be there.

Senator BALL. What book salaries do your other officers draw?

Mr. COHEN. Nobody draws more than \$25,000. They can't.

Senator BALL. They draw \$25,000, but what are they on the books for? You are on the books for \$55,000 from the Empire and the various subsidiaries.

Mr. COHEN. They may be on the books for 30 or 40.

Senator BALL. Don't you know?

Mr. COHEN. I don't know the exact amount. I can get it for you.

When you come to the Carriage Co., you have Fred Kern, the man in charge there, and he is one of the best master mechanics in the country, and over there we have produced steadily on the mounts.

Then when we move down to the Roxboro Steel and the Manayunk Forging where we make our own steel and forgings, that is where Mr. Quarrie is in charge.

Then we move over to gun plant 1 where Mr. Stead is in charge. He was formerly the general manager of the Mergenthaler Linotype Co.

Then we go across the river to the Wissahickon Tool Works where we make the recoils. We had as the manager until Chicago Pneumatic Tool took him away from us, Mr. Dolan who is the president of the Aeronautical Engineering Society of America, and he set up the Curtiss plants in China; and since then Mr. Voyes is in charge there, with Mr. Richards who was superintendent of the Cleveland Pneumatic Co.

At the Ordnance Instrument Corporation, the sight company, the man in charge has been in that business for 15 or 20 years.

Each plant is in the charge of a man who is of the highest experience in that special thing, and that is how we operated. My job was to get these people together and get these plants together, and we think we have done a very good job. We started in January and put all these plants and this machinery and personnel to work, and it was no cinch.

Senator BALL. These eight subsidiary companies are all owned entirely—

Mr. COHEN (interposing). The same stockholders own each company.

Senator BALL. They are owned entirely by Empire Ordnance Corporation?

Mr. COHEN. The same stockholders own them.

Senator BALL. The stock isn't owned by Empire Ordnance? It is owned by you as individuals?

Mr. COHEN. The same stockholders own the stock of each company.

Senator BALL. In the same proportion?

Mr. COHEN. The same proportion.

Senator BALL. And your total assets you told us were something around 7,000,000 now?

Mr. COHEN. About that much.

Senator BALL. With a net worth of around eight or nine hundred thousand dollars?

Mr. COHEN. I think so.

Senator BALL. And you, for promoting this venture, have taken—you and your family—about 45 percent of the capital stock?

Mr. COHEN. Thirty percent.

Senator BALL. This escrow fund has another 15.

Mr. COHEN. That is not mine. That is not my family's.

Senator BALL. Whose is it?

Mr. COHEN. I explained that this morning. That is a fund for educational activities which is not mine. That was my original 15 percent that I had and I turned it over to them.

Senator HATCH. I wasn't here this morning; I am very sorry.

Mr. COHEN. When we organized originally the Empire Ordnance Corporation, I had a right to 15 percent of the common stock. I turned that 15 percent of the common stock over to this education fund directly from its inception, and it is a fund which is managed by a group of Jewish educators.

The CHAIRMAN. It is also tax-free, isn't it?

Mr. COHEN. It is tax-free on what it would receive, I suppose. We have to pay the taxes to start.

Senator BALL. What do your contracts with the British and this one with the Maritime Commission now total?

Mr. COHEN. The British today is somewhere around \$14,000,000.

Senator BALL. That is all your contracts with the British.

Mr. COHEN. That is right; that is all our contracts. I don't know where they got the \$70,000,000.

Senator BALL. That is according to Mr. West.

Mr. COHEN. That is all we have had. That is for the recoils, for the mounts, and for the gun itself. It was somewhere around \$20,000,000 when we started, and then when we changed from M-3 to M-4, a different design, those that were not fit for the M-4 were canceled out and so, on the mounts and recoils there was a drop down to three or four million dollars.

Senator BALL. Then you got \$14,000,000 of contracts with the British, and Savannah Shipyards has a contract of approximately \$20,000,000.

Mr. COHEN. No; Savannah Shipyards—that is another misnomer. The contract we have with the Maritime Commission is only for \$110,000 of vessels times 12. That is our contract.

Senator BALL. Is that the same way you figure the \$14,000,000 with the British?

Mr. COHEN. No.

Senator BALL. That is a lump-sum contract with the British.

Mr. COHEN. With the British we have to deliver so many mounts, so many recoils, at a price. You total up the price. That is what it amounts to. With the Maritime Commission, they say to us, "If you are going to have a shipyard, if you are going to have working capital, if you are going to have a staff, if you are going to have the ability to

carry on, we are giving you 12 vessels to build. We will send you the steel; we will send you the material." We have nothing to do with it. If it costs one million and a half for the ship, it is the United States Steel Co. getting the million and a half, less the labor cost, not me.

Senator BALL. Are you required to make some of the parts of the ships in the subsidiaries?

Mr. COHEN. Yes; but it is insignificant. We have to mold the steel that comes there. They send us all the woodwork, they send us the engines—everything. We don't buy it; we don't manufacture it. All we are getting is the fee for having built the yard, for using the facilities, for having the staff, for managing the staff, and for constructing, and if we don't do it fast enough, then we are penalized, and instead of the \$110,000 a vessel, we go down to \$60,000 a vessel. If we do it faster and save the time and save the money, we may go up to \$140,000 a vessel. That is the contract. Why he should say \$20,000,000 or \$50,000,000 I don't know. That's absolutely crazy.

Senator BALL. Twenty million dollars' worth of work; and your gross profit on it, estimated at \$110,000 a ship, would be \$1,320,000.

Mr. COHEN. Less what it costs us for our overhead, for our administration.

Senator BALL. But they will pay the cost of building the ships down there?

Mr. COHEN. They only pay the cost of what actually goes into the ship.

Senator BALL. And they pay the crew and pay the superintendent?

Mr. COHEN. Only what has to do with the ship itself. All we are doing in the yard, all the construction of the yard, all the interest we have to pay to the yard—we don't get paid for that.

Mr. FULTON. You do get paid an allowance for rent for the facilities, don't you, of 15 percent?

Mr. COHEN. Yes; they pay us the time.

Mr. FULTON. So Senator Ball is correct on that.

Mr. COHEN. But the Senator——

Mr. FULTON. That is in the contract, isn't it?

Mr. COHEN. I mean that isn't what I was answering. I was going to come to this. Here is the plain arithmetic of the thing.

The CHAIRMAN. Explain, in words of one syllable and do it slowly so the Senators can understand it, just how much you get for building these ships.

Mr. COHEN. The contract says you get a fee of \$110,000 per vessel, and you are supposed to deliver at a certain time. For every day it takes you longer than that time to deliver it, you are penalized \$400; for every day you deliver it faster than that time you get a bonus of \$400. You are given a certain number of hours in which to finish the vessel. For every hour that you finish it faster than that time, you are allowed, I think, 50 cents an hour; for every hour you finish it later than that time, you are penalized the same number of cents per hour. With a maximum—no matter how fast you do it or how good you do it, you can't get more than \$140,000 per vessel; and with a minimum, no matter how slow you do it, you can't get less than \$60,000 per vessel. Before you put the staff on they have to approve—I am talking about our contract; I don't know about others—the whole staff. Before we can engage to build them on anything we have to show that

we have the yard all set, ready to go. Meanwhile, we are paying everything. We are getting no money from anybody for it. Then, because this is a yard which is not owned by the Maritime Commission, not owned by the Navy, not owned by Defense Plant, or R. F. C., or any Government agency, the Maritime Commission; the Maritime Commission says to us they will pay us $1\frac{1}{4}$ -percent interest—rent—on the investment per month, on the investment that we have in the yard, with the limitation that no more than \$25,000 a month can be paid for the rent.

Now, it is estimated that it will cost us about $2\frac{1}{2}$ million dollars. Normal interest on $2\frac{1}{2}$ million dollars, if we pay 5 percent interest for the 2 years that we have to pay, the same period, for our money, eats up about one-half of that rent we are talking about. The depreciation on it will eat up more than the other half of the rent of this one-fourth percent.

The CHAIRMAN. You are figuring the interest plenty high. Do you have to pay 5 percent on that money?

Mr. COHEN. We have to pay even 6 percent.

Senator WALLGREN. The witness has been talking about ship construction. What type of ship are you taking as an example?

Mr. COHEN. EC-2. That is the 10,000-ton cargo vessel.

Senator WALLGREN. Did I understand that you are obtaining \$114,000 for the construction of this ship? What is the fee paid you for the construction of such a ship?

Mr. COHEN. The fee is \$110,000. That is fixed in the contract as a basic fee.

Senator WALLGREN. For that one ship?

Mr. COHEN. Per vessel.

Senator WALLGREN. Do you know anything about the final cost to the Government of that ship?

Mr. COHEN. It is roughly calculated between a million and \$1,700,000.

Senator WALLGREN. There is a job for the committee. That is too much money—far too much—over a period of years. I know something about what it should cost to construct a cargo ship.

Mr. COHEN. Well, that is to be seen later on what the price will be.

Senator WALLGREN. I think it is an outrageous price. It is too high.

Senator BALL. Is this \$14,000,000 of British contracts the balance on the \$20,000,000?

Mr. COHEN. I used \$20,000,000 this morning as a round figure, because I didn't know whether it was good to give the exact figures and information. Really, it is somewhere between eighteen and eighteen and a half million. That is, by February, we will run through one of the contracts; by the end of January we will run through one of the other contracts; but when you take the total of the contracts, less the cancelation part as a result of changing from M-3 to M-4, it runs to about \$14,000,000—somewhere around there.

(Senator Hatch took the chair.)

Senator BALL. Then for setting up this company and an investment of \$12,500, which, as far as I can figure out, is the only cash anybody put in—

Mr. COHEN (interposing). Why do you say that? I told you this morning we put in about \$225,000.

Senator BALL. Who put it in?

Mr. COHEN. Different people.

Senator BALL. All I heard was \$42,500.

Mr. COHEN. That is me, I told you.

Senator BALL. That is you.

Mr. COHEN. You figured up there you had \$87,000 or \$78,000.

Senator BALL. Well, you and McHale and these other fellows put up together \$135,000?

Mr. COHEN. That is right.

Senator BALL. And for that you still hold preferred stock valued at that, which—

Mr. COHEN (interposing). That is right.

Senator BALL. Is preferred claim on any assets of the company eventually.

Mr. COHEN. Not a preferred claim on the assets of the company. The creditors have the preferred claim on the assets.

Senator BALL. Next to that?

Mr. COHEN. Yes.

Senator BALL. If there is anything, they get it before the common stock gets it.

Mr. COHEN. Oh, sure. They should. It is their money.

Senator BALL. Uh-huh. So that then for an investment of \$42,500, you have a 30-percent interest in contracts totaling about \$34,000,000.

Mr. COHEN. That is right.

Senator BALL. And on one of them with the Maritime Commission, your gross fee alone is \$1,320,000.

Mr. COHEN. When you get through building your 12 ships, when you get through building your yard, and when you get through building your organization, and when you get through doing all the work.

Senator BALL. When did you first make your contract with the British Purchasing Commission and how was it made?

Mr. COHEN. We were bidding on United States contracts, and then we were told that they had changed the program policy, and they were not going to make the type of gun in the neighborhood where we were, that they were going to change that to make a different type of gun, and the Ordnance Department sent Mr. Dowd over to the British, who were interested in that type of gun. We don't know how much to tell you: how much not to tell you.

Senator BALL. You organized this—

Mr. COHEN (interposing). This is a part of their war program.

Senator BALL. Just a minute. You organized the Empire Ordnance on May 5, 1940, and you got your first contract with the British signed in November of that year.

Mr. COHEN. Contract was awarded in September, and finally, the letters and so on were signed on the 8th of November, to go into effect on the 25th of November.

Senator BALL. And who was representing you in Washington? At the time you put in some bids with the War Department in that interval before you went over to the British, who represented you down here? Who put the bids in? Who did this work?

Mr. COHEN. We didn't put any bids in down here. That was done in the Watervliet Arsenal, the Watertown Arsenal—wherever the bids came in.

Senator BALL. Who put that in for you?

Mr. COHEN. Our own officers.

Senator BALL. Did you have any counsel?

Mr. COHEN. No. You don't need counsels for that. You send in your sealed bids, and on a certain day they open them.

Senator BALL. When did the Ordnance Department send Mr. Dowd over to the British?

Mr. COHEN. Some time in September.

Senator BALL. Not until September?

Mr. COHEN. That is right.

Senator BALL. Did you get a contract that same month?

Mr. COHEN. Yes. They had worked it out. The British Ordnance had worked out what should be done, and they had inspected all our facilities and told us to go over to the British, who were going to make the type of gun which we could make.

Senator BALL. When was that, Mr. Dowd?

Mr. Dowd. Maybe I can bring you up to date by following the sequence of the company. The first thing we did was to go to the State Department on the 28th of May and got a clearance from the State Department and also a license to manufacture munitions. That was then the 29th of May. Beginning in June, we went to the War Department—Mr. Voyes and myself—to see what bids were available to bid on. We made several bids on various types of guns, and they checked and rechecked the personnel to see if we had adequate personnel and facilities to build ordnance. I might mention here that our chief engineer, Mr. Albert Howe, is the engineer who designed our first field piece for the Army. That is the model 1898. He has been an ordnance engineer for 42 years.

After we put in several bids on these guns, it was suggested to us the latter part of September for me to go to the British mission because there was an acute need of tank guns, and we had been farther advanced in our plans.

Acting Chairman HATCH. Did you get any contracts on these bids that you were making?

Mr. Dowd. No, sir.

Senator WALLGREN. Who was competing against you?

Mr. Dowd. I can recall one of the competitive bids that was—we have the list of bids here, Senator—I mean the copies of them.

Senator WALLGREN. Let's put those in the record.

Mr. COHEN. Do you have to go into the details of these bids as far as the War Department is concerned, that is, their records? We don't know half the time—

Mr. Dowd (interposing). The companies that bid against us would be the leading large industrial companies in the country.

Senator WALLGREN. Manufacturing the same type of ordnance.

Mr. Dowd. Not manufacturing ordnance, necessarily, because the ordnance industry was more or less decadent or dead since the last war.

(Senator Truman resumed the chair.)

The CHAIRMAN. Just moment, now. That information you are asking for appears in the committee brief, which I rather think is not a matter to go in the record. It is available for your information any time you want it. The committee has it all ready for you.

Senator WALLGREN. All right.

Mr. COHEN. That is just the point, Senator. We don't know how to answer a lot of these questions because of that.

Senator BALL. Mr. Dowd, when was it that somebody in the Ordnance Department sent you over to the British and told you about it?

Mr. DOWD. The latter part of September, after we put in these bids and they had checked on our facilities and our personnel, and there were two checks and inspection trips by the Ordnance officers through the plants.

Senator BALL. Who in Ordnance sent you over there?

Mr. DOWD. Who in Ordnance?

Senator BALL. Yes.

Mr. DOWD. Well, it was a general in charge of industrial production.

Senator BALL. What is his name?

Mr. DOWD. It was General Lewis—Colonel Lewis at the time, now General Lewis.

Senator BALL. Who was with you?

Mr. DOWD. At that time I did most of this by myself. Occasionally Mr. Voyes or Mr. Howe or one or two of the engineers would be with me, but during June, July, August, and September, it was mostly my duty.

Senator BALL. You don't remember whether, on this particular visit, you were alone or somebody was with you?

Mr. DOWD. I was alone?

Senator BALL. And you went right over to the British Commission?

Mr. DOWD. I went right over and we discussed—

Senator BALL (interposing). Did anybody go with you?

Mr. DOWD. No; nobody went with me. I sat down with them and discussed it, and that afternoon or the following day they teletyped their requirements to be made by us to the New York office of the British Commission, and from that time on there was a lot of details and data before the actual signing of the contract. But they had committed themselves for the manufacture of guns at that time.

Senator BALL. That was within a matter of a couple of days after you first contacted them that you had a commitment from them?

Mr. DOWD. That is right, because the British were very anxious—I mean they were really critically in need of these weapons, and we were picked up because we were most advanced in our ability to perform and were ready to go to work.

Senator BALL. Did you have any counsel or other representatives here in Washington at that time?

Mr. DOWD. None.

Senator BALL. Or anybody working on this with you? McHale?

Mr. DOWD. No, sir.

Senator HATCH. I want to ask these gentlemen a question or two. I wasn't here this morning. I didn't realize who you gentlemen were. When did you first hear of the employment of Mr. West?

Mr. DOWD. Sometime early this year. I believe it was around February.

Senator HATCH. When was he actually employed? I haven't read the testimony, and I haven't heard it. I wasn't there yesterday.

Mr. DOWD. When was he actually employed?

Senator HATCH. Yes.

Mr. Dowd. That I don't know, because Mr. Cohen was making the arrangements for hiring personnel. We were busy, Senator, in the plants, getting the material, machine tools, and we were working about 20 hours a day.

Senator HATCH. But you knew he had been employed in February.

Mr. Dowd. Around February; yes. Around that time.

Senator HATCH. For what purpose was he employed?

Mr. Dowd. Well, my understanding was that we were going to open an office in Washington as a clearance for a lot of papers and revisions as a medium of saving time.

Senator HATCH. Had you ever heard of Mr. West before?

Mr. Dowd. No, sir.

Senator HATCH. Didn't know who he was?

Mr. Dowd. Yes; I take that back. I read an article once in the Saturday Evening Post, but that is the only occasion I had heard of him at all.

Senator HATCH. I wonder why you employed him. Do you have any idea why he was employed?

Mr. Dowd. None. I never met the man. I met him a couple of times later.

Senator HATCH. Just a stranger picked up out of the thin air.

Mr. Dowd. That I know nothing about. We were busy working.

Mr. COHEN. Our intention in opening up the office was just as we opened up an office in Detroit, to put a man and secretaries in there, to go around to all the plants and expedite all the little parts that we needed. It was the same over here. We had to be here for revisions; we had to be here for forms; we had to be here, coming and going.

Senator HATCH. It was perfectly natural that you ought to have somebody, and it is perfectly natural that you ought to have somebody who had some contacts, wasn't it?

Mr. COHEN. Not contacts. What did we need contacts for? We wanted somebody—

Senator HATCH (interposing). Now, listen. Why don't you be frank? You know why you hired Mr. West. Why don't you tell the truth?

Mr. COHEN. I am telling you—

Mr. Dowd (interposing). Mr. Senator, may I say a word here?

Senator HATCH. Yes. All I want to know is just what is the truth, and I think you men can tell, if you would.

Mr. Dowd. The situation with the War and Ordnance Departments is that they award contracts to qualified people distinctly on the merits, and—

Senator HATCH (interposing). Oh, I know that. I think that is true.

Mr. Dowd. And they had gone and checked our facilities before they O.K.'d us to the British, even. They checked our facilities, had the officers check the facilities, and they had checked the personnel. We had been given very close scrutiny—our personnel, particularly our engineering and production personnel—and we just got our contracts on our ability to perform and the expedition with which we could get stuff out.

Senator HATCH. I tell you, Mr. Dowd, that I think that is exactly correct. I think that is what the War Department wants to do. That

has been my experience. I have had several conversations with Judge Patterson, Assistant Secretary of War, and with General Somervell. I think they are just as high-class and fine men as this country has ever had.

Mr. COHEN. That is correct.

Senator HATCH. They don't want to have any influence at all. But I don't think, Mr. Cohen, that you employed Mr. West out of any desire except to get some advantage.

Mr. COHEN. What was the advantage I would want to get? We had our contracts. We were doing our work. Why would I need him for contacts? Why? We needed somebody here to save our time. If we had to write a letter, to get a form, to get something else, we would know where to go and get it.

Senator HATCH. You wanted a man who was in touch and knew these people.

Mr. COHEN. Exactly.

Senator HATCH. Why didn't you say so? That is what I am trying to get you to say.

Mr. COHEN. I have been trying to say that for 2 hours.

The CHAIRMAN. It has taken you a long time.

Senator HATCH. You have been denying it all day long, ever since I have been here.

Mr. COHEN. I was denying the inference in your questions about contacts. It isn't the contacts.

Senator HATCH. Of course it was contacts and of course it was influence. You wanted it if you could get it.

Mr. COHEN. No. Do I need influence for a man to carry a letter? All I wanted was for him to know how to go there fast, and not to influence, that he shouldn't go to six places instead of one place, that he should know where to go.

Senator HATCH. That is your story, and if you want to believe it, you just go ahead and hypnotize yourself, if you want to. You don't fool anybody, Mr. Cohen.

Mr. COHEN. I am not fooling anybody.

Senator HATCH. By the way, there is one other question the chairman is very much concerned about. He wants to know if you have ever been connected with a business before this one that did not fail and go into bankruptcy or receivership.

Mr. COHEN. Well, you come back yet to your——

Senator HATCH (interposing). All right.

The CHAIRMAN. Can you name one?

Mr. COHEN. Oh, my gosh! I controlled probably more life insurance companies, individually, than any other individual, and——

Senator HATCH (interposing). And they all failed, every one of them, didn't they?

Mr. COHEN. No, sir; they did not fail. Jefferson Standard is the finest insurance company you have down there. The Occidental is a fine insurance company. The Peninsula Life Insurance——

Senator HATCH (interposing). Were you connected with Occidental?

Mr. COHEN. What is that?

Senator HATCH. Were you connected with Occidental?

Mr. COHEN. Yes. We owned the controlling stock of it.

Senator HATCH. Now?

Mr. COHEN. No; I was sold out by the banks. That doesn't have anything to do with the company.

Senator HATCH. I happen to know the Occidental myself.

Mr. COHEN. That is right. You would know——

Senator HATCH (interposing). It was originated in New Mexico, you know.

Mr. COHEN. That is right. You would know Lee. We bought the stock in the banks in New Mexico that were closed to help them out, and that company is in good shape and is going well; and if we hadn't bought it, the bank wouldn't have reopened.

Senator HATCH. I am going to tell Mr. Lawrence Lee how gracious and kind you were to buy the stock.

Mr. COHEN. I think I was a very good friend of his. It is not his fault if I was sold out by the bank on my stock.

Senator BALL. Mr. Dowd, you first contacted the Ordnance Department here after you set this company up around June?

Mr. Dowd. Yes, sir.

Senator BALL. And how did you go over there? Did anyone introduce you?

Mr. Dowd. No. I went into the Ordnance Department. We met a number of officers; and, oh, probably, I should say all together anywhere from 14 to 20 officers. I mean at various departments in the Ordnance Department. We did a lot of leg work for 2 weeks, and it was leg work most of the time.

Senator BALL. Who do you mean, "we"?

Mr. Dowd. Myself and Mr. Voyes, or myself and one of the engineers.

Senator BALL. You never had anybody outside of yourself and Mr. Voyes and your own engineers make any contacts for you in the War Department?

Mr. Dowd. No. In June, July, and August it was leg work, going in and out, making bids, submitting them at Watervliet Arsenal, and then the latter part of August or early September the British became active down here in their tank mission down here. In September we were sent to the British.

Mr. VOYES. We walked in entirely alone.

The CHAIRMAN. Senator Wallgren, did you have any questions?

Senator WALLGREN. Mr. Chairman, as I understand it, Mr. Cohen has been in this business on what you might call a shoestring. Isn't that right? Well, that is the custom. You had no plants; you hadn't even engaged in the ordnance business or the shipbuilding business up until 2 or 3 years ago.

Mr. COHEN. No.

Senator WALLGREN. And yet you have, in a short period of time, obtained from this Government \$34,000,000 in contracts.

Mr. COHEN. We didn't obtain anything from this Government.

Senator WALLGREN. What is the total amount of your contracts, then?

Mr. COHEN. We have no contracts with the Government outside this Maritime Commission one.

Senator WALLGREN. Outside the Maritime Commission.

Mr. COHEN. That was November 25, 1941.

Senator WALLGREN. Regardless of whether or not you have them with the Government, what is the total amount of the contracts you have obtained up to now?

Mr. COHEN. In ordnance about \$18,500,000—between 18 and 20 million dollars.

Senator WALLGREN. How about shipbuilding?

Mr. COHEN. Shipbuilding I have told you. Twelve ships at \$110,000.

Senator WALLGREN. How much?

Mr. COHEN. Twelve vessels at \$110,000.

Senator BREWSTER. That is the fee, I might say.

Senator WALLGREN. I mean the total amount of your contracts. I want the total amount of the business that you have obtained over a short period of time.

Mr. COHEN. I just told you in ordnance it is between \$18,500,000 and \$20,000,000, and for the maritime part, it is to build 12 vessels at \$110,000 fee.

Senator WALLGREN. That \$110,000 is your fee, but the 12 vessels would cost the Government approximately, let's say, \$1,200,000 each. Is that right?

Mr. COHEN. About a million and a half, I think.

Senator WALLGREN. All over this country there are a lot of smaller plants that are unable to obtain any Government contracts, threatened with the possibility of having to close. You have been successful enough to obtain all these contracts, some from the Government and some from other people. I merely wanted to bring out the fact that apparently your outfit is being favored against others, whether your deliveries are a little better than theirs or not.

Mr. COHEN. Senator, let me say this. Anybody in the United States who wants to do what we did, go into a city like Savannah and start building a yard and undertake to invest two and a half million dollars (we invested our money, our own credit, on our own responsibility, at any rate—it is our own, no public's and no Government's)—anybody who wants to do that can go to the Maritime Commission today, and they will kiss them on both cheeks and give them contracts to build vessels.

Senator WALLGREN. I am not criticizing you, Mr. Cohen. I am not criticizing your company, but I may be criticizing the policy.

Mr. COHEN. Well, Senator, I think it is even not right to criticize the policy, for this reason: This was a peaceful country—this wasn't a war country. Nobody had any ordnance, nobody had any plants, nobody had any experience. Somebody had to go and get started. We wanted to get started. We started the hard way. Sure, we didn't have a lot of money. If we had had a lot of money, it would have been easy. We didn't have it. We went to all our friends, we went to our banks, and we went any place we could get help to start this ordnance business. We came around and we bid, and we tried everything we could in order to promote it so that we could do the manufacturing. Finally we got an order and started to manufacture. From then on we worked day and night producing, producing, producing, and we are producing pretty well. I wish everybody else were producing on the same basis, and, if the rest of the country had gone in on the same basis we would be in fine shape today.

Now, on the yards, if anybody wants to come along and give us back our money and do the same kind of work in Savannah that we have been doing, I will kiss him on two cheeks and he can have the yard and we will go do something else.

Senator HATCH. Wait just a minute. You will take your original investment and step down and out?

Mr. COHEN. Senator, if you are ready now to give me what we put into the Savannah Shipyards.

Senator HATCH. I am talking about what you put in.

Mr. COHEN. That is what I am talking about.

Senator HATCH. What you put in yourself in Empire Ordnance Co.

Mr. COHEN. Let me come to one thing at a time, will you?

Senator HATCH. No; you just talk so, you make such extreme statements, Mr. Cohen—

Mr. COHEN (interposing). I did not make an extreme statement. I made a statement which I am going to repeat to you.

Senator HATCH. All right.

Mr. COHEN. If anybody wants to keep talking about Savannah Shipyards and about the wonderful contract we had, if anybody wants to pay back to us the money we have in there, he can have the contract and he can go to work, and we will go to work some place else.

Senator HATCH. I understand you are confining yourself to Savannah Shipyards.

Mr. COHEN. Yes; and if somebody will give us back all the labor and effort that we put into Empire Ordnance—

Senator HATCH (interposing). Wait a minute, wait a minute. You are willing to take your original investment in Empire Ordnance?

Mr. COHEN. I didn't say that.

Senator HATCH. Why, of course, you wouldn't.

Mr. COHEN. I didn't say that.

Senator HATCH. But you talked about the labor and the time and everything else—high-sounding words.

Mr. COHEN. It is not high-sounding words—just good hard labor and just good hard effort, and the best proof of it is that nobody else did it—that we did it. Gosh, I don't think we should be criticized because of what we have done here.

Senator HATCH. I am not criticizing you for anything you have done, but the thing I criticize you about is your attitude before this committee. I don't like it at all.

Mr. COHEN. I am sorry.

Senator HATCH. Because you don't speak frankly, plainly and, I think, truthfully.

Mr. COHEN. I am sorry you say that because that isn't what I am doing.

Senator WALLGREN. Mr. Chairman. While I was inquiring, Mr. Cohen, as to the amount of business that you had obtained from this Government, it was pointed out that you had obtained contracts amounting to some \$37,000,000. You mentioned the fact that that was not all from the Government. It is my understanding now that you have been manufacturing guns for the British Government and that your checks are paid not out of the lend-lease program.

Mr. COHEN. That is correct.

Senator WALLGREN. But they come right direct from the British Government.

Mr. COHEN. That is correct.

Senator WALLGREN. I see. I merely wanted to get that in the record.

The CHAIRMAN. Are there any other questions, gentlemen?

Senator BREWSTER. I wanted to ask Mr. Cohen about the present state of your relations with the British in connection with your ordnance plants. Are the contracts current or delayed, satisfactory or unsatisfactory, as far as you know?

Mr. COHEN. As far as I know, they are very satisfactory. And when you say "current," it is difficult to answer that question because you start a contract with an estimated delivery date and then you get some five-hundred-and-twenty-odd revisions and you have to keep revising because, again, we were a peaceful country, we didn't have these designs, and as these guns are made they find some error or some mistake or some improvement, and so on, and we have to keep on changing. On the basis of what we have done, on the basis of what the British expected from us, on the basis of what we have been delivering to them, we have done a very, very good job.

Senator BREWSTER. Is that the feeling of the British?

Mr. COHEN. They have said that in our presence time after time, that they are grateful and thankful for the job that we have done.

Senator BREWSTER. Is that the attitude of our War Department?

Mr. COHEN. We had no production with our Government, our War Department.

Senator BREWSTER. Now, just a minute. You recall your testimony this morning about contacting the War Department because they were to take over the inspection.

Mr. COHEN. The inspection.

Senator BREWSTER. That is what I am asking you—whether or not they are satisfied with your handling and your progress.

Mr. COHEN. Today they are; and the deliveries are going out all right. We had difficulties for about 6 weeks when the inspection changed over, because there were different methods of inspection between the British and different methods between the United States.

Senator BREWSTER. You said that the British took a 10-percent check, while the Americans took a 100-percent check.

Mr. COHEN. A good example of that is springs. We bought certain springs from American Locomotive. We bought the whole amount that we would need for the whole order—5,600 springs. The British gave us the inspection certificate on it. Their man was up there and inspected, and they inspected on this 10-percent basis. Well, when the U. S. inspection came in, there was a 100-percent inspection. But it had already been manufactured, and then we had to begin to rearrange these springs and look for another place from which to get springs and how to work it out. That is what I meant by the difficulties in inspection.

Well, I can't tell the figures, though.

The CHAIRMAN. Mr. Cohen, there is one question that I don't think was asked you today. Did you make a \$50,000 contribution to the Democratic campaign fund in 1940?

Mr. COHEN. That is another one of these crazy stories. I didn't given any \$50,000 to any campaign. I never contributed and I never offered to contribute.

The CHAIRMAN. Did you contribute any money at all to either of the national committees, Republican or Democratic?

Mr. COHEN. No.

The CHAIRMAN. The committee will take a recess, to meet again at the call of the chairman.

(Whereupon, at 3:55 p. m., the committee adjourned, subject to the call of the chairman.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

WEDNESDAY, JANUARY 28, 1942

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:37 a. m., pursuant to adjournment on Thursday, December 18, 1941, in room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman), James M. Mead, Clyde L. Herring, Joseph H. Ball, Ralph O. Brewster, Mon C. Wallgren, and Harley M. Kilgore.

Present also: Edward R. Burke, former Senator from Nebraska; Mr. Hugh A. Fulton, Chief Counsel; Mr. Charles P. Clark, Associate Chief Counsel.

The CHAIRMAN. The committee will come to order.

Mr. Nelson, you made a request to be heard before the committee, I think, verbally to me, and then by a written request.

Mr. NELSON. Yes, sir.

The CHAIRMAN. And you are here at your own request. If you have a statement to make to the committee, you may proceed with it.

TESTIMONY OF DONALD M. NELSON, CHAIRMAN, WAR PRODUCTION BOARD—Recalled

WAR PRODUCTION BOARD POLICY REGARDING DOLLAR-A-YEAR MEN

Mr. NELSON. I have, sir. Thank you. I appreciate this opportunity to meet with you and discuss this very important problem of the dollar-a-year men.

I asked for this opportunity to talk to you about a problem that I know is of particular interest to this committee. I want you to understand, and to be thoroughly informed, as to my attitude on it. We all have the same goal—complete victory.

The problem I want to discuss with you is one of personnel. It relates to the dollar-a-year men.

As you know, Congress—by successive statutes beginning in June 1940—expressly adopted the policy of authorizing employment of dollar-a-year men in times of national emergency.

The CHAIRMAN. May I say to you, Mr. Nelson, at this point that the committee has some very definite ideas, which were expressed in our report on the dollar-a-year situation.

Mr. NELSON. Yes, sir.

The CHAIRMAN. And we want you to understand, before you go any further, that we want the war won as quickly as possible. If you have to have dollar-a-year men to win the war, this committee is not going to interfere with that procedure on your part, because we want the war won, but we still have some ideas on dollar-a-year men and the ethics and things that are brought to bear on that subject. But this committee does not want to hamper you in carrying out your job. That comes first.

Mr. NELSON. I appreciate that, Mr. Senator, and I am sure that you don't—

The CHAIRMAN (interposing). And we are not under any circumstances going to interfere with your carrying out that job. If it requires dollar-a-year men, go ahead and use the dollar-a-year men, but that won't keep us from finding out what they are doing.

Mr. NELSON. That is right, sir; and I want you to keep on finding out what they are doing. But, departing from my prepared statement, I should like right at that point, since you mention it, to show you just how the committee is hampering with our employment of dollar-a-year men.

The CHAIRMAN. Here is the situation. Whether you are right or wrong under the present circumstances, this committee feels, I am sure—and I think I am speaking for the committee when I say this—that your idea ought to prevail, because we have to win the war. Now proceed with your statement.

Mr. NELSON. All right, sir.

Senator BREWSTER. Did you say that the committee was hampering you?

Mr. NELSON. Yes, sir; definitely.

Senator BREWSTER. Well, we certainly want to know that.

The CHAIRMAN. And we don't want to.

Senator BREWSTER. Certainly the whole object of this committee has been not to hamper, but to help.

Mr. NELSON. I am sure that is true, Senator. The reason I asked to come before you is that I knew that that was true, and I wanted to show you, not alone in a prepared statement but by answering any of your questions, just how it was hampering us and why we had this policy, what I intend to do about it, how I intend to control it from the administrative set-up. May I say this before I read the statement. Whatever happens in this picture, I am responsible, and I take the definite responsibility, and in order that I can appear before your committee without talking about anything except the war emergency and the men that I feel are contributing to it, I just cut every tie to the outside world. I am just working on a Government salary like you and everybody else in this picture. So, when I am talking to you, I am talking as one of you.

The CHAIRMAN. Proceed.

Senator BREWSTER. May I add this? We cannot, of course, review all of the considerations which led us to the opinions we expressed in our report, and I anticipate you wouldn't want to go into the whole history of O. P. M.

Mr. NELSON. No, sir; that is behind us.

Senator BREWSTER. On this side, we support 100 percent what the chairman has said, that you are going to run this job, and certainly

we are not going, and we don't want anybody else, to hamper you. If you feel you can use certain agencies, that is up to you. I was disturbed over your statement that we were hampering you. I assume you mean by our expression of opinion?

Mr. NELSON. Yes, sir; in this way, sir. You make men afraid to come down here. I mean honest, straightforward men who can help this picture, and companies that are willing to sacrifice and make sacrifices, to have men come down here are afraid for them to come for fear your committee expresses the attitude of the Government toward men that have been called in at our request to help in this emergency. That, sir, is the way.

The CHAIRMAN. Proceed with your statement, and then I will have something further to say.

Mr. NELSON. All right, sir.

Shall I repeat that paragraph?

The CHAIRMAN. Surely.

Mr. NELSON. As you know, Congress—but successive statutes beginning in June 1940—expressly adopted the policy of authorizing employment of dollar-a-year men in times of national emergency. This policy was extended by Congress to all governmental departments and agencies concerned with defense. And, as you know, an identical policy was followed during the last war.

We have heard much comment on this policy recently on all sides. It was criticized in the report of this committee on January 15—and may I say here that I was gratified to note that after months of scrutiny of O. P. M. by your lawyers and investigators, you did not report a single specific case of impropriety? However, that does not eliminate all the grounds for criticism, so I want to discuss with you these questions:

Should the policy of Congress with respect to dollar-a-year men be changed?

If the policy is to be continued, how should it be administered?

I have one over-all standard for passing on these questions. It is quite simple, and it is as follows: What will contribute most toward winning the war in the shortest possible time? That is the test I apply, and I am confident it is the test your committee and Congress will also apply.

On this job we must get the maximum results from American industry. To do that we must have down here men who understand and can deal with industry's intricate structure and operation. In other words, we must have men with expert business and technical knowledge. For the most part we have to get them from industry itself. But no matter where we get them or how we get them we simply must have them in the places they are needed, when they are needed.

All things being equal, these men ought to be brought in to serve on a regular Government salary. I wish that were possible. It isn't. You can't get all the help you need of the kind you need on that basis. The reason is simple: most of these men, many of them specialists, have been getting salaries much higher than those which can be paid Government employees. Since they have been getting such salaries, they naturally have incurred extensive financial obligations over the years—mortgages, life insurance, income taxes which they have to pay this year, and so on—so that it is extremely hard for them to adjust

themselves abruptly to a much lower income. In many cases it is literally true that the man in question simply can't make the change to a Government pay roll without extreme hardship to his family.

Furthermore, when we bring these men in for this war effort, we are not offering permanent careers to them. In the very nature of things we are offering them temporary jobs. So if we did not have any provision for dollar-a-year men, we should in every case be forced to ask these men to sever their old connections entirely to take temporary jobs at salaries which might not enable them to meet their fixed obligations. In practice, then, we would usually get from industry only older men who were independently wealthy and who could therefore afford to make the break, or those who have already retired. I do not think the Congress could approve the principle of such an arrangement, and I do not think the Congress would like to limit the War Production Board to the ranks of the very wealthy in the selection of personnel.

All these factors, I am sure, were in the minds of Congress which, in two wars, has provided for the employment of dollar-a-year men.

Now the dollar-a-year policy can of course be abused. It must be administered with great care and restraint. If it is so administered, it is in my judgment an extremely useful adjunct—possibly even an indispensable one—to the war program.

Sound administration, of course, requires a carefully determined administrative policy within the limits of congressional policy. With this in mind, I have laid down the following rules and limitations for the War Production Board to govern employment of dollar-a-year men:¹

1. No person shall be appointed on a dollar-a-year basis unless he is a man of outstanding business or technical ability, of unimpeachable integrity, and especially qualified for the work for which he is chosen.

2. No dollar-a-year man shall be appointed to any position if, with reasonable effort, a man equally qualified can be found and induced to come here to fill such position on a regular Government salary.

3. No person shall be employed in any position in which he will make decisions directly affecting the affairs of his own company.

4. No appointment shall be made except after a thorough investigation of the proposed appointee by one of the investigating agencies of the Government.

These are the rules which will be followed with respect to all future employment of dollar-a-year men by the War Production Board.

In addition, I have instructed the various directors of divisions within the War Production Board to reexamine all past appointments of dollar-a-year men to see whether they conform. If these requirements are not satisfied in the case of any dollar-a-year man now engaged by the War Production Board, he will be asked to leave.

I would like to spend a moment on a more specific discussion of the dollar-a-year men now with the War Production Board. There are some 300 of them. Every one came here at the request of the Government. Every one was carefully investigated by the Federal Bureau of Investigation or one of the other Federal investigatory services. Of the 225 appointed up to August 30, every one received

¹ In this connection see copies of administrative orders issued by Mr. Nelson at a later date and submitted to the committee under date of February 16, 1942, which appear in appendix on p. 4252 et seq.

the personal, signed approval of the President. On August 30, 1941, the President delegated this power of approval to the heads of the various departments and agencies concerned, including the Director General and the Associate Director General of the O. P. M. Since August 30, 73 appointments have been thus approved. The power of approval has now been delegated to me.

Of all of these men, substantially over 70 percent were operating men, plant superintendents, technical engineers, research experts, division managers, and the like, rather than heads of companies. These are the men who have actually run the production machinery within their own industries.

About 15 percent were heads of companies, and their skill as over-all executives and their experience in large affairs have been very helpful to us. There are, in addition, a number of dollar-a-year men drawn from university faculties, some from the professions, and some from labor unions.

As a group, these men have worked hard and rendered valuable service. Those who have should be commended. Those who have not will be removed. But any member of our organization failing to deliver will be removed, whether he is here on a regular Government salary, a dollar-a-year basis, or under any other circumstances. In the last analysis, it is the integrity, capacity, and zeal of men which should govern their selection, and not the accident of their financial position and need.

In conclusion, I want to thank you for what I think this committee has done. It has rendered a very valuable public service. I am having the committee's recent report analyzed by members of my staff in order that any errors or abuses which have occurred in the war effort may be corrected.

It is my hope, sir, that from time to time I may meet with this committee so that I may have the advantage of such counsel and advice as you gentlemen will be able to give us.

I thank you.

The CHAIRMAN. Mr. Nelson, this committee has been working for 7 months to get the responsibility for the war effort centered in one man, with the power to act. We are informed that you have that power.

Mr. NELSON. I am so informed, too, sir.

The CHAIRMAN. And this committee under no circumstances wants in any way to hamper your effort to win this war, for every day that is saved on the end of this war means the saving of lives and of millions of dollars. The lives, of course, are the important thing. Whether you are right or wrong, this committee is going to back you up in what you want to do.

Nevertheless, the committee, I think, has different views from those expressed in your statement, but as I say, the committee is not going to hamper you about the carrying out of your program.

I don't think that there should be any special class. I just received a letter this morning from a young man who is getting \$25,000 a year. He is a Reserve officer. He is going to get \$140 a month, and he can't draw his \$25,000 while he is gone. He is satisfied to do that because he wants to win the war, just as you do and just as I do, by every means possible, no matter what it costs him, because if he doesn't win it, his \$25,000 a year won't be worth a cent.

I am laboring, and have been, under the delusion, maybe, that if the Government has the power to take these young men away from their jobs and their outlook on life for the purpose of this emergency, the dollar-a-year men could face the same situation and face it adequately and would be glad to do it. However, if that is not the case, and their morale won't stand it—and you say it won't—we want to win the war. Therefore, we are not going to hamper you in that effort and in your manner of handling it.

We have fought to get you this job. We are going to fight to support you now in carrying it out. If you meet any obstacles in the carrying out of this job where this committee can turn the light of publicity on the subject or call attention to legislation that should be enacted to give you the necessary means to carry the job out, we want to be informed, and we are at your service.

Now, I am sure that some of these gentlemen will want to ask you some questions, and I hope that you will be willing to submit to that ordeal.

Mr. NELSON. I shall be glad to do that.

Before doing that, I want to tell you how much I appreciate that, Mr. Senator. I knew that was the attitude that your committee would take, and I want to assure you that anything we are doing at any time is open to your scrutiny, sir.

The CHAIRMAN. We appreciate that.

Mr. NELSON. We are on this job, working in a gold-fish bowl, just for one objective, and, sir, anything we do that we can give you information on, it is at your disposal.

The CHAIRMAN. I thank you for that thought.

Senator Wallgren, did you have anything?

Senator WALLGREN. Mr. Nelson, I am going to ask a question that I asked before the Military Affairs Committee, just to clear this matter up with the committee.

Your position at the present time can be assumed to be assistant to the Commander in Chief, in charge of production and procurement: is that right?

Mr. NELSON. Well, sir, I so interpret it. I have been given the job and the authority of the President to do this job with respect to production and procurement.

Senator WALLGREN. Then you are directly responsible to the Commander in Chief?

Mr. NELSON. Directly, sir.

PRODUCTION OF LIGHT METALS

Senator WALLGREN. I am quite interested in production of light metals, and the chairman has seen fit to place me as chairman of a subcommittee in charge of light metals as far as this committee is concerned.¹

I think our record in respect to magnesium and aluminum reads a little bit queer. About 8 months ago we were promised by the O. P. M. considerable development as far as aluminum was con-

¹ Hearings before the subcommittee on light metals were held during March 1942 and will appear in a future Part of Hearings.

cerned.¹ Today the President has a program asking us to build a great many more planes than we had anticipated in 1941.

Mr. NELSON. That is right, sir.

Senator WALLGREN. Where are we going to get the metal?

Germany and Japan have been using clays and alunite, such as we have in this country, in great quantities for the manufacture of their aluminum. Apparently we are held to the production of aluminum through the use of bauxite only, which is hauled up from Dutch Guiana and is then processed at Mobile. There may be a time when those ships are not available to us, and yet we have these clays which are found in the western hills that can be used.

The testimony before our committee at one time was to the effect that Japan, in 1939, by using these same clays, had manufactured more aluminum than we did in the United States. Yet, for some reason or other, nothing is done to take advantage of this resource that we find in this country, and they continue along the same old program, going out of this country to obtain bauxite for the manufacture of aluminum.

Our record as far as magnesium looks to me to be quite bad. This committee knows conspiracy has grown up between certain German companies and American companies that would hamper the production of magnesium in this country. You know something about that, too.

Mr. NELSON. Yes, sir; I do, sir.

Senator WALLGREN. We find now that the O. P. M. had let a contract for some; I forget, but I think it is close to \$50,000,000 for the construction of a magnesium plant at Las Vegas, Nev. That plant, I understand, is to be British-owned, operated by people from Great Britain. They are here with their experts. They are supposed to know all about the manufacture of magnesium, whereas, as far as we can learn, they haven't had a great deal of experience with this particular metal themselves. Yet we are turning over a plant and equipment to operate at Las Vegas.

I don't know how this plant is going to operate, but this committee is going to find out within a short space of time.

We know that we have the ores in this country. We know that we have people ready and willing to start in with the manufacture of magnesium. There were times when you brought this question up that people would tell you it is rather a tricky metal and can't be used very successfully. However, this committee has seen experiments in California where they have seen airplane wings constructed out of magnesium without the use of a single rivet. We have heard the testimony of engineers, telling us that because of such construction it might add up to 35 miles per hour to a plane. We have seen a great many things in our trips through the West. We still see a lack of appreciation of what might be done with the use of magnesium in the construction of planes in this country.

It is our understanding—although I don't know exactly how we can find out—that Germany is making considerable use of this superior metal, magnesium, in the construction of planes, in flares, and in incendiary bombs. I am just wondering what you are doing, as far as

¹ Previous hearings on aluminum appear in Hearings, Parts 3, 7, and 8.

your division is concerned, to handle magnesium and light metals, whether or not you have a man at the top of that who is willing to get right down to the bottom of this thing and see that we go as far in such production as Germany has done in the past few years.

Mr. NELSON. Naturally, sir, I do not know all the answers at the present time. I assure you I will know them.

Senator WALLGREN. You do know that the problem exists there?

Mr. NELSON. I know that the problem exists, sir.

In the case of aluminum, I am told that we are experimenting with alunite and have set up a test pilot plant to prove the process. I think quite generally, sir, it should be our policy to take no chances with important things like aluminum and magnesium in the production of the amounts we need, but I do agree, sir, in that I think the Government's money would be well spent in making experiments into other fields in order that it may protect itself in case one avenue were cut off. I believe in that definitely.

I shall watch this alunite with a great deal of interest. The men who are working on that are very successful and competent men. I have great confidence in the Olins because of their past business record, and they are not easily fooled. I shall watch that, sir.

I followed magnesium with greater interest because of its great importance and the fact that we were so slow in getting started in magnesium—very slow. There is no doubt about our disadvantage at the present time. However, I think if you would like to review the things that have been done on magnesium at the present time, you would see that we are rapidly catching up and will soon be. And I think some considerable credit should reflect to the group that did take a very desperate chance in the development of this Kaiser plant in Los Angeles on an entirely new method of making magnesium which, it was said, had failed in other places. It had been tried in Great Britain and had not been successful, and many people said it could not be successful. I relied upon the man's past record of having put things over. A considerable amount of money was given to him more or less to experiment with in a relatively large way, and I believe that is a commendable thing to do.

Senator WALLGREN. Yes; but that plant was built at Permanente down in California, and it used the Hansgrud process for the manufacture of magnesium.

Mr. NELSON. That was a new method in this country.

Senator WALLGREN. It was necessary to employ a German to come in here and run that plant.

Senator BREWSTER. An enemy alien.

Senator WALLGREN. I understand that particular German has been picked up.

Mr. NELSON. All right, sir; but the plant is running, and it looks as if it will be a valuable magnesium plant.

Senator WALLGREN. And engineers who were appointed and studied it, have told us, as Senator Truman will possibly remember, in California, that the process used at Permanente was bound to bring about explosions and considerable difficulty, and that they felt the process that had been discovered at Pullman University in the State of Washington, using what they called the electrothermic process, using oil, was a far safer and a far better process. For some reason

or other, you can't get anyone in the O. P. M. set-up to go out and even take a look at what they have done with the pilot plant at Pullman University. A great many of us feel that this particular process is something that ought to be studied very carefully.

Mr. NELSON. I assure you that it will be looked into; if you and your committee feel that way about it, we shall certainly look into it.

Senator WALLGREN. Thank you.

The CHAIRMAN. Senator Mead?

PLANS TO ASSIST SMALL BUSINESS

Senator MEAD. Mr. Nelson, if I recall rightly, about 18 months ago, sometime in 1939, in the set-up that was known as the National Advisory Committee, you had charge, among other things, of the little-business section.

Mr. NELSON. Yes, sir; I started the smaller business activity. Mr. Senator.

Senator MEAD. And then a little later that was absorbed when O. P. M. was organized, and it became a service rather than a bureau in O. P. M.

Mr. NELSON. That is right, sir. It became an adjunct of the Production Division.

Senator MEAD. And then later on, they were raised to a bureau, and they reported directly to Mr. Knudsen and Mr. Hillman.

Mr. NELSON. That is right, sir.

Senator MEAD. Still a little later, there was created a small-business section by Executive order, given more authority, and Mr. Odum was then placed in charge of activities.

Mr. NELSON. That is right, sir.

Senator MEAD. Now, what is to be the situation with reference to little business under the new situation, the new set-up?

Mr. NELSON. I haven't worked that out entirely, sir. You see, in Mr. Odum's Division, there were really two phases to his work. One was contract distribution or conversion. The other was the small-business activity. Now, the conversion end of it, the contract distribution, I have put directly under Mr. Harrison in the Production Division, and I can assure you that we are going at that as energetically as can be, because I have always believed in it and believe in it now more than ever. I think we need it more than ever. As you probably know, we are making some very radical moves in the automobile industry to try to get conversion quickly in that industry, and we are working it out with subcontracting with their individual supplies, and so forth.

I have in mind a number of plans with relation to small business. I think there are two or three phases of the problem, sir, one of which I don't believe is directly connected with production and procurement. Therefore, it is my recommendation—it hasn't been fully worked out—that that be attached to some bureau or agency of the Government that will look out for the financial problems of small industry.

The CHAIRMAN. That is what Senator Mead has been contending for for the last 6 months.

Mr. NELSON. I have an appointment, sir, on Thursday with Mr. Eccles to discuss that phase with the Federal Reserve group.

Wherever it is, I think there should be a division that looks out for the financial problems of small industry, but I do feel, sir, that they are not directly connected with the production and procurement and should have another group that will look after them—wherever that may be in Government.

Senator MEAD. What will happen to this far-flung organization?

Mr. NELSON. That will be there, sir—that far-flung organization, which I think is very essential, very important, to deal with subcontracting locally within the district to force more subcontracting. I hope to work a closer arrangement between those men and the procurement men of the Army locally and with the contractors and others locally who get more subcontracting in a local area, you see. That division will be kept intact. I haven't decided yet, because I have had a lot of problems of organization, just how to set it up, whether as an independent agency—which I think it should be—or as another division of the O. P. M. with field offices to look out for those problems.

Senator MEAD. It would be unfortunate, it occurs to me, if this organization, so well started under Mr. Odum for the dissemination of contracts, set up in every region throughout the United States, should be canceled out now.

Mr. NELSON. Mr. Senator, I assure you that I have no idea of doing that. In fact, I want to strengthen its hand.

Senator MEAD. Well, you talk about an independent agency, and I really believe that the experiences that we are having are leading us more or less in that direction. Of course, we must have in mind always that whatever we do accelerates the war effort.

Mr. NELSON. It does; yes. It has a relation to it, of course.

Senator MEAD. And almost everything else is secondary, of course; but anyway, one thing that would accelerate the war effort. I read your comment—and I imagine it was rather indefinite—in this morning's paper about what little business would have to do to convert hastily to production. But little business cannot convert hastily to war production—

Mr. NELSON. No, sir.

Senator MEAD. Unless little business, independent business, and intermediate business have access to funds as readily as big business does.

Mr. NELSON. That is right, sir, definitely; and I am 100 percent in favor of that.

Senator MEAD. And without the funds, they cannot convert; but, with the funds, they would quickly accelerate your war production volume. So they need funds, and I hope that your agency will join with the War Department and the Navy Department and O. P. M. in recommending to the Congress a system whereby the funds will be made available to them.

Mr. NELSON. I assure you, Mr. Senator, I regard that as important and will be glad to so recommend, because I think it is important.

The place of small business is not alone in war production. You see, we have to have two productions going along simultaneously.

Senator MEAD. That is right.

Mr. NELSON. The essential civilian, the thing that keeps our economy operating—the repair parts to the economy and the repair

parts to transportation, agriculture, and all of the food industries and all of those things must go on, or else you can't have a war effort. In other words, these two must move along together.

I believe that the small-business activity can be hastened a great deal by things that we can do in conversion, toward the separation of an industry into its larger and smaller components, letting the smaller components take the essential civilian, where it is necessary to have these things made, and the larger concerns—engineering organizations, and so forth—get more rapidly into the war production. That isn't carefully thought out yet in my mind, but I do want to give you that as my thinking in connection with this picture.

I can assure you, sir, that I have always felt and will continue to feel that it would wreck this economy to have smaller business crowded out during this desire on the part of all of us to build as many arms as we possibly can. On the other hand, sir, I do not want to see us take a chance in putting component parts in with people who cannot be reasonably expected to produce in the space of time in which we must produce, and I would like to treat them on that basis and treat them separately on that basis. Where they have the knowledge, the skill, the management, the machinery, and where we can give them aid in converting and in subcontracting, I think, sir, we should do everything we possibly can.

Senator MEAD. Surely.

Mr. NELSON. Where they haven't, I think we ought to make provision of some kind to take care of them and not force them, through the war effort, to do things that are illogical or unsound.

Senator MEAD. Surely. The quicker we bring them into the war effort, the less necessity there will be for expanding existing plants, and we are already appropriating 13 billion dollars, only 3 billions of which have been expended. I am told, in making big plants bigger. Those plants, when they are completed, will never shoot at a Jap ship. They will be just big plants located in some congested industrial center. Now, if we could accelerate small business and bring plants and machines and skilled workers into the picture, there would be less and less of that necessity for the expansion of big industry. There is some, of course, that is necessary, but we must have in mind bringing in every idle plant, idle worker, and idle machine, so that it won't be necessary for us to appropriate more billions for plant expansion, but so that there will be more billions used for actual war output.

That is what we are all aiming for, and I think that that is where this little business fits into the picture very well, where we utilize existing facilities rather than build new facilities. Don't you think that that is a reasonable statement: that we use all existing facilities?

Mr. NELSON. Mr. Senator, I think it is the thing that we absolutely have to do in order to do this job. There will be some new plants which will have to be built, of course.

Senator MEAD. Oh, yes.

Mr. NELSON. Explosive plants, TNT plants, smokeless-powder plants, and more small-arms loading plants, demolition-bomb plants, and things of that sort. Sir, we just cannot make the machine tools that will be necessary at this time to build entirely new plants. Where those facilities exist anywhere, they can be used.

The CHAIRMAN. We are vitally interested in something else, Mr. Nelson, right at that point, if Senator Mead will pardon the interruption.

Senator MEAD. Go ahead.

The CHAIRMAN. We also want to be assured that there will not be a policy to strip these little plants of their machine tools and move them into the big shops, rather than put them to work on the ground, because that would mean concentration of labor and everything else. We don't want to see these small shops stripped. We want to see them put to work. There are two ways to approach that.

Mr. NELSON. I think there are, sir; and I think it would be unfortunate to strip them if they themselves could do that job within the plant and, as far as I am concerned, sir, we must see that if they can't do it, that there is some reason that they absolutely can't do it, before we strip them. However, we must face the fact that there are certain essential machines which we vitally need in order to push this war effort.

The CHAIRMAN. We understand that.

Mr. NELSON. If we can take the work to the machine, I think we should make every effort to take the work to the machine first. If that can't be done, of course, this is a war effort and we must take the machines.

The CHAIRMAN. You have to win the war. But we want these little plants operated to the fullest extent possible to help win the war, and I think that will help win it.

Mr. NELSON. I believe that to be an absolutely sound policy.

The CHAIRMAN. Senator Kilgore?

Senator KILGORE. I just wanted to ask one question.

Mr. NELSON. All right, Mr. Senator.

Senator KILGORE. In determining the powers, as we discussed in the Military Affairs Committee and as Senator Wallgren brought out—

Mr. NELSON. Yes, sir?

Senator KILGORE. Is there any power inherent in your office to eliminate elaboration of design where the instrument sought could be made with less man-hours of work by eliminating elaboration of design?

Mr. NELSON. My powers, sir, extend to specification.

Senator KILGORE. They do?

Mr. NELSON. Yes, sir.

Senator KILGORE. That was one thing that was interesting to me in the powers of your office.

Mr. NELSON. Now, I must say this, in all fairness to you, sir, that it is my policy to interfere as little as possible with design. I think the technical men who have had the experience and the skill and the training should determine design to the largest extent possible. However, where that question of design can be proven—I don't think we should take a chance in changing design, because we mustn't lose a battle because we have changed the design of a weapon and it doesn't function. We have to go slowly in that. But it does extend to specification.

Senator KILGORE. Where it appears to your office that the design could be modified and get the same results, you conceive your office as having power to approach that subject?

Mr. NELSON. Yes, sir.

Senator KILGORE. And to seek a modification of that design?

Mr. NELSON. Yes, sir; definitely.

Senator KILGORE. To work?

Mr. NELSON. Definitely, sir.

Senator KILGORE. Thank you.

The CHAIRMAN. Senator Ball?

POSSIBLE OBSTRUCTIONS IN PRODUCTION AND PROCUREMENT PROGRAM

Senator BALL. Mr. Nelson, in the committee's criticism of these dollar-a-year men, I don't think any of us wanted to question the integrity of these men, but it would seem to me and, I believe, to most of us, that they kept an unconscious bias toward preserving as much as possible the status quo and of avoiding disruption of the present industrial set-up. I think you have been on the other side of that picture and have argued from the beginning that we had to make an all-out effort.

Mr. NELSON. That is right.

Senator BALL. And that business as usual was out the window. I am wondering just how many of these 300 dollar-a-year men are in key positions in your organization, where they would influence the broad policy and where this unconscious bias—and you can't blame them for having it—might play quite an important effect. Are most of your division heads, for instance, dollar-a-year men?

Mr. NELSON. Yes, sir; they are. Among my division heads, as you know, are Mr. William Batt, who I think has been on record for an all-out effort for some little time; and Mr. William Harrison, whom you perhaps don't know as well, a man in whom I have a great deal of confidence. He has been given the responsibility for and is literally going to town on this production job.

Mr. Knowlson—Jim Knowlson—came into our organization quite recently from Stewart-Warner; a man with a great record of production in Chicago, a man of unusual ability, in my opinion, who, I think, will certainly be interested in conversion 100 percent. He was in charge of the industrial branches where most of this conversion will take place, because he sees that it can be done. He ran a small factory himself, and a larger one. He was a small businessman before he was a large businessman, and I think he sees the problem quite clearly.

I believe, sir, that the men whom I have picked in most of the key jobs are men who believe, just as I do, that we must go out and do an all-out job in this whole picture. I should unqualifiedly say to you, sir, that the men I have picked as my first assistants are men who have exactly the same opinion about this job as you and I have.

Senator BALL. I take it you agree that that is the chief trouble with dollar-a-year men, that their whole way of life is dependent upon the economic system as it is now set up and that, consequently, unconsciously or otherwise, they kind of hate to—

Mr. NELSON (interposing). Mr. Senator, may I analyze that a little bit? There is a great deal of confusion in the mind of the public in their attitude toward dollar-a-year men. Isn't that really an attitude you are expressing toward businessmen rather than dollar-a-year men? And whether they were on salary or not, that would not neces-

sarily change that particular bias of a lifelong experience. I think, sir, there is a difference in that picture. There are many businessmen, of course, who believe in the status quo. There are many labor men, many university professors; there are many from all walks of life. There are probably many Senators and Congressmen, and many of all types. I think that that is true.

Our job now is to try to pick the man who knows how to do that job and who will throw his whole heart and soul into it and, in a patriotic motive, do the job. Certainly it is my policy to see that there are no others around there except that type of man.

Senator BALL. Fine. One more question, Mr. Nelson.

Mr. NELSON. If, in the opinion of the committee, there are any obstructionists anywhere in this picture at any time I should be glad to have counsel or any member or Senator talk to me about it and should be glad to have it carefully reviewed.

Senator BALL. I think we have all felt that the failure to expand steel production and aluminum production as soon as it should have been done was due partly to that subconscious holdback.

Mr. NELSON. That was partly true. Of course, partly it was due to a lack of imagination on the part of all of us in seeing what the problem really was.

Senator BALL. And because they didn't have one man with authority to do it.

I remember that last summer you told us about your ideas as to how we could speed up production and force more subcontracting and, as I recall, you suggested two things: One, to revise existing contracts possibly to require, in certain cases where it was feasible, that a certain percentage of the work be sublet; and the other, arbitrarily to move up delivery schedules on them and force them to speed up, to work 24 hours a day, and to subcontract everything they could.¹ Are you moving in that direction?

Mr. NELSON. I haven't changed my mind a particle on that, sir. Of course, we haven't had much time yet to go into that thoroughly, except that I know now that it is the attitude of the Army that that be done also, because we have got a tremendous procurement program to put through in this year and next.

Senator BALL. And what we will get chiefly in the next 6 months will be from existing contracts?

Mr. NELSON. That is right, sir.

Senator BALL. So, are you taking steps toward revising those contracts?

Mr. NELSON. Yes, sir; toward speeding them up; getting them on a 24-hour basis. I want this field organization to go more energetically than ever into subcontracting. A great deal has been done. I think Mr. Odum and the field organization made a great contribution to that subcontracting. I view it as largely a local proposition, working out the subcontracting within that, and having regions communicate with each other and work out rather than having everything come back here and then go back out into the field.

Senator BALL. That is all, Mr. Chairman.

The CHAIRMAN. Senator Brewster?

¹ Hearings, Part 5, p. 1313.

Senator BREWSTER. I am very happy at your asking to appear. It is recognition that in some measure you represent the voice of America that is concerned. I read in the paper yesterday that one Senator said that he found the War Department with 350 of their men employed answering questions of committees. I was happy to find that was a year and a half ago, before our committee started.

I assume that your appearance recognizes that we do have a function to perform?

Mr. NELSON. I do, sir; very definitely.

Senator BREWSTER. We can't take all your time, and I don't think we ought to have more than one-tenth of 1 percent of it for the next year or two while we are winning this war. But we have to have liaison. This committee—and I think I speak for it—has had more difficulty with O. P. M. than with any of the others—War Department or Navy Department or any of them—in getting information and cooperation, and I take it your coming here shows that perhaps we are going to have a “new deal” in that regard.

Mr. NELSON. Sir, I want our organization to work closely with this committee.

Senator BREWSTER. You contemplate the designation of a man of considerable caliber as liaison?

Mr. NELSON. Yes, sir; definitely.

Senator BREWSTER. I think that is very important. The Army and Navy have both done that, and it has been extremely helpful. We can't constantly ask you, but if you have some man designated in your organization who can go to any branch of your organization and get the information we desire, rather than a mere clerical assistant, I think it would be helpful. And you do contemplate that step?

Mr. NELSON. I do, sir.

Senator BREWSTER. Now, about the dollar-a-year men. You also have men without compensation?

Mr. NELSON. Yes, sir.

Senator BREWSTER. What is the distinction, aside from the dollar?

Mr. NELSON. The distinction in my mind, sir, is this, and I don't know that it has been fully carried out. But it is my policy and will be fully carried out, that no man on the W. O. C. basis will be other than a consultant. He will not be given administrative or executive authority. He will be drawn in as a consultant. Many of these W. O. C. men are men who have been brought in by the Labor Division in panels in the various communities, as consultants on their training programs.

Senator BREWSTER. In many cases, part time?

Mr. NELSON. Just an hour or two a day, or 1 or 2 days a week.

Mr. O'BRIAN.¹ There are over 400 of the W. O. C.'s, as we call them, in the Labor Division. They are engaged only a day or two a week. They serve on these panels to aid in the training in industry. The Labor Division has about 44 dollar-a-year men in addition. The War Production Board, separating it from the Labor Division, has about 214 W. O. C. men who are usually in the nature of technicians or engineers or specialists.

Senator BALL. Do the dollar-a-year men work full time? Is that the idea?

¹ John Lord O'Brien, General Counsel, War Production Board.

Mr. O'BRIAN. Yes; as I understand it.

Mr. NELSON. And a man in an administrative and executive capacity in this picture must work full time.

Senator BREWSTER. What is the relation on the approval of contracts now under this new doctrine of infiltration?

Mr. NELSON. Of course, contracts are made by the Army and by the Navy—by the military services and the Maritime Commission. They have had approval through contract clearance in the office of O. P. M.

Senator BREWSTER. On anything over \$500,000?

Mr. NELSON. On anything over \$500,000. Now, in order to speed this up and not delay it, we are setting up methods by which that approval can go along concurrently, instead of consecutively. Consecutive approvals always slow up a thing, and my policy is to have concurrent approvals where necessary, rather than consecutive ones, because the consecutive one is quite apt to be merely a veto power. It is my experience that it always slows it up.

The contract approvals now are made by the War Department out in their own offices up to as much as \$5,000,000, but those contracts come in and, after they are made, will be reviewed, and if we find that they are bad, they will be renegotiated.

Senator BREWSTER. You do recognize that that presents a duality of executive function with two men sitting in, one your representative and the other the executive department, each of whom have coordinate authority?

Mr. NELSON. I do recognize that, and I want to prevent coordinate authority.

Senator BREWSTER. How are you going to stop it?

Mr. NELSON. In this way, sir—and the War Department and the Navy are quite cooperative and see the necessity for taking in trained civilians who will actually do the work as their employees. The main thing—

Senator BREWSTER (interposing). As whose employees?

Mr. NELSON. As the War Department or Navy employees. I don't intend to set up, sir, any commissar system of dual authority or responsibility. I believe it to be bad.

Senator BREWSTER. You have seen Pearl Harbor.

Mr. NELSON. I have seen a lot of administration, too.

Senator BREWSTER. Well, I don't want to press this thing at all to an embarrassing point as I can understand it is a matter of some delicacy, but you have said that you understand you possess practically unlimited authority, subject only to the President, to run this production and procurement program. Is that right?

Mr. NELSON. That is right, sir.

Senator BREWSTER. That must mean that your men must, let us say, be responsible.

Mr. NELSON. No, sir; not at all. I do not think that at all. I mean the Army and the Navy men still are responsible. They can be held just as responsible for doing the job and for doing it under right policies, and so forth. They are responsible for doing a job. I am not considering, sir, that I have to have a group of men, all of whom take responsibility for everything that is done. Responsibility can be delegated, sir, and it is delegated. It is delegated by the President. It is

delegated properly so. That doesn't mean, sir, at all that I would not consider it very bad administration if I felt that everything that was done had to be done either by one of my men or approved by one of my men.

Senator BREWSTER. Then do I understand that 6 months from today, if this thing isn't working, you are going to tell us that you can't be blamed?

Mr. NELSON. I do not, sir; no, sir.

Senator BREWSTER. I mean either you have got to be responsible or you are not.

Mr. NELSON. Sir, I have no alibis to make now or 6 months from now under the authorities which have been granted me by the President. If they fail, it is my failure solely and not because of any alibi I can give you, sir.

Senator BREWSTER. And you will be responsible for the elimination of anything savoring of friction as between your representatives and your department?

Mr. NELSON. Yes, sir; and there will not be friction, sir.

Senator BREWSTER. That is all we want to know.

Mr. NELSON. Because friction means delay. There will be differences of opinion——

Senator BREWSTER. Of course.

Mr. NELSON. As there will be between members of your committee.

Senator BREWSTER. But there will be decisions?

Mr. NELSON. But there will be decisions, sir.

Senator BREWSTER. Now, on the matter of placing the contracts, all the departments, as you know, now are under serious question on the matter of profits, the limitation of profits. Our various legislative committees are considering the possibility of legislation. To what extent do you consider it is practical in your program to have restrictions as to the profits on your contracts, as distinct from tax legislation which would reach whatever might be excess profits, if you would give an opinion on that?

Mr. NELSON. Yes, sir. I haven't thought this through carefully yet, of course, but I feel that no manufacturer is entitled to unconscionable profits on a war contract. I think a manufacturer, a workman—anybody connected with it—as long as we have the profit system in this country, is entitled to a fair profit for his labor or his management, and that it should be a fair profit. It is my opinion that where excessive profits occur in a contract, that contract ought to be renegotiated. That occurs at times, because we are dealing in new territories.

Senator BREWSTER. And with vast volume.

Mr. NELSON. Vast volume; vastly increased volume. And there is no one wise enough today to know what the cost will be when a plant gets working full on repeat business and when they learn how to make that economy. I hope that we will get an interchange of ideas as between manufacturers making an item, so that economies brought about in one plant can be brought about in another, and that we can get economy primarily of time, of course, but of cost, too. While I think the cost is secondary in this effort, and that time is primary, I think we should not waste money in getting the time element.

Senator BREWSTER. You said before our committee sometime ago that you felt America was ready to make any necessary sacrifice to win

this war as long as they were each assured that the burden was equitably distributed.

Mr. NELSON. That is right, sir. I said they would as long as, first, they thought it was necessary and, second, if they thought it was being shared alike by all.

Senator BREWSTER. And you do consider it is a part of your responsibility in the tremendous powers given you, to achieve as far as possible those twin goals?

Mr. NELSON. Yes, sir; I think they are fundamental in having morale in this country.

Senator BREWSTER. And it will be your endeavor to educate all agencies of procurement, business, and labor and everyone else to that philosophy?

Mr. NELSON. Yes, sir; because I believe that an absolute, fundamental conception of economy in a democratic system.

Senator BREWSTER. You do recognize, taking the two big fields in connection with your dollar-a-year men, two groups of industries, the monopoly groups and the competitive groups? When you have a dollar-a-year man from a monopoly group like aluminum, for instance—possibly automobiles, but aluminum—there has, of course, been the feeling, warranted or not, that their advice must be affected by the tremendous concern with which they are associated. Senator Ball raised the question about the matter of competitive solution of that problem. How are you going to liberate yourself from any possible bias of that character?

Mr. NELSON. Well, of course, you are pointing out one of the most difficult jobs of administration in my big job. That is a difficult job of administration, I will grant you. I think it can be eliminated, first, in the man you select for the job and, secondly, of course, in the type of supervision and policies that he works under and the care that is exercised in seeing to it that everybody who has an idea in the picture gets a fair and considered hearing on that idea.

Senator BREWSTER. Perhaps you would say that the problem would be solved if it is recognized?

Mr. NELSON. I think that is a very fair way of putting it, sir.

Senator BREWSTER. And you do recognize it?

Mr. NELSON. I recognize, sir, that in all of us there are biases.

Senator BREWSTER. Yes. In the competitive industries, in the highly competitive smaller industries, you have the peril of favoritism in allocation, and you recognize that also, that is, that a man who is carrying on a business and finds a dollar-a-year man in charge here, being paid a salary by a competitor, isn't going to be very happy about it. Is there any way by which you can reassure those fellows that they are going to get a fair break?

Mr. NELSON. You ask the mechanism by which they do it. I don't know at the moment. I can assure you that—

Senator BREWSTER (interposing). Again you recognize it?

Mr. NELSON. I recognize it, sir, but I would also like to point out that that would be equally true if that man severed his connection and worked on a Government salary. I don't believe that the difference between the dollar you pay him and the \$8,000 which you can pay him under the regulations would change that bias if it is there, sir. I think that is the important difference that is in my mind about this.

Senator BREWSTER. You mean his bias as between concerns?

Mr. NELSON. Well—

The CHAIRMAN (interposing). Isn't it true, Mr. Nelson, that the probabilities are that the most biased ones will probably go home because they are more interested in the money than they are in the country? You recognize these problems and, when you go to solve them, the chances are that those fellows who feel that they can't under any circumstances sever their connections on account of the fact that they have to have that much money to live, will in all probability go home, and you won't be bothered with them. Then you can get somebody who can agree with your policy and carry this thing out.

Mr. NELSON. Mr. Senator, of course, I don't feel that those criteria necessarily apply. That is the difference, I think. I don't believe that the amount of money you pay or whether a man has severed his connection—

The CHAIRMAN (interposing). I was just remembering the statement that you made that these fellows had created for themselves a standard of living which they couldn't forgo for \$8,000 a year.

Mr. NELSON. Well, sir, it isn't quite the standard of living which they don't forgo—it is a question of their obligations, the debts and other things they have, and their families could not live. True, you say they would do it if they went into the Army. Well, in the Army you take mostly younger men who haven't reached that stage where they have big income taxes to pay. When I say "big income taxes," there is no criticism of it. I believe that everybody should pay it and pay according to his ability, sir.

The CHAIRMAN. That is true, but you must also remember that many of these Army boys are on the other end of the string and are probably leaving a lot of debts which will be harassing them when they get back from this emergency. That is just the other point of view.

I am not going to argue this question with you, because I have certain views on it and you have certain views. We are behind you to win this war, and I say, whether you are right or wrong, we are going to get behind you and help you win it.

Mr. NELSON. I appreciate that attitude more than I can tell you.

Senator BREWSTER. There is one other thing I want to bring out. You have made it clear that you now have, as you understand it, unlimited authority.

Mr. NELSON. In the field of production and procurement, and I limit it to those two.

Senator BREWSTER. You are sufficiently realistic and you have been around Washington long enough to know that there are influences of various kinds that try to manifest themselves.

Mr. NELSON. Yes, sir.

Senator BREWSTER. From legislative sources, and executive sources, and now even from judicial sources, as the judiciary seem to take concern in executive matters, and from business sources. We have that confidence in you that you are immune to as much of that as possible. But I think this committee wants to be assured that as far as governmental functioning is concerned—legislative, executive, and judicial—we want you to keep in that happy position. And I would like your assurance that the first time any impairment of your

authority appears from legislative, executive, or judicial sources, you will advise this committee in order that we may know that the responsibility then is more diffused. Is that fair?

Mr. NELSON. Sir, if you say "impairment," of course that, again, we have to define if we are to put down on paper just what we mean. I can assure you, sir, of one thing. In the first place, I am not interested in politics in any particular. I have never been and I am not interested in it. I recognize it as a business that you have to learn from childhood, and it is a business and a profession, just as the business of selling goods at retail is something that you must learn, or manufacturing, or other business.

Now, sir, I am down here for one purpose, and that is to put this program over if it is humanly possible and if I have the ability, and if I see anything that will materially affect this war effort, the production effort, I want to assure you, sir, that I am not going to hesitate to appeal for help anywhere I can get it. I think, sir, from what I have seen—I have been down here a great deal and know Washington fairly well; I don't believe anybody ever knows all about it—nearly everybody concerned is interested in one thing: putting over this program.

Senator BREWSTER. And you are ready to be the goat?

Mr. NELSON. Yes, sir; I am ready to be the goat, because I think the country expects it of me.

Senator BREWSTER. You will let us know if there is any way we can help you?

Mr. NELSON. I will be glad to do it. I recognize this, too, sir—and I would like to say this off the record—that I have everything to lose and nothing to gain during this job.

Senator BREWSTER. That is why we have confidence in you, Mr. Nelson.

The CHAIRMAN. Mr. Nelson, I think that statement ought to be on the record, because that is a strong statement.

Mr. NELSON. I will put it on the record, sir.

The CHAIRMAN. I don't want to put it on the record unless you want to.

Mr. NELSON. I will put it on the record.

The CHAIRMAN. Are there any other questions, gentlemen?

PLAN TO ESTABLISH INDEPENDENT AGENCY TO ASSIST SMALL BUSINESS

Senator MEAD. Mr. Chairman, if there are no questions down that way, and we are at a loss for the moment, I want to go back to little business.

Mr. NELSON. All right, Mr. Senator.

Senator MEAD. I believe that your appointment was received with universal acclaim because of past performances and because of the confidence the people have in you. I think that is the sentiment expressed individually and collectively by our committee.

Now, I was wondering if, as a result of this concentration of authority and, I hope, the cooperation of the Army and Navy and other procurement agencies, you can give us any reassurance of the acceleration of this program of procurement and production and how it is stepping up, and if the process of stepping it up is going to be continued. What

is the situation today? Has it improved over what it was when you took over this assignment? What is the situation? What can you say for the country for the future?

Mr. NELSON. Well, I would rather not make a statement at this time on that, sir.

Senator MEAD. We wouldn't want any details.

Mr. NELSON. I don't want to be put in the position of making any promises. The record should show what we do. I can say—and I am very happy to say it—that there is the finest kind of cooperative spirit today in both the Army and the Navy and the Maritime Commission, and I for one, will do everything I can, without impeding the progress of the program, to see that that cooperative spirit continues.

Senator MEAD. Because of that cooperation and the concentration of power, you look, and the country looks, for an acceleration of the volume of that program. Isn't that true?

Mr. NELSON. That is certainly true, sir, and I will consider that I have been a great failure unless that is constantly accelerated.

Senator MEAD. Surely. That is what I mean. And, from present indications, that constant acceleration has set in to remain, to continue.

Mr. NELSON. Well, I sincerely hope so, sir, and I believe it is true.

Senator MEAD. Just one other point, and then I am through.

I believe one of the best ways of making a contribution to the acceleration of that volume is for us to give some thought to the setting up of an independent agency with authority and power to go out and enlist all of these plants and factories that are not now in the program. Now some of them are dead. They have been made casualties as a result of priorities or some other very necessary wartime provision or order. Some of them are dying. Others will go out as a result of the auto and tire and other rationing within the next 2 or 3 months. Not one of those casualties can in any way hope for relief through any agency of Government unless something is done directly for them. They can't qualify for a loan. There isn't any possibility of a grant. So it occurs to me that an independent agency ought to be set up, at least for the duration, which would revive and rehabilitate these casualties and aid in the conversion of those industries that are slowly disintegrating because of priorities and other orders.

This independent agency could, by grants and loans, put all of these plants in shape, and surely we have as much right putting those plants in shape as we have making loans for the construction of plants that do not exist.

So it occurs to me that one way in which we could make a great contribution to the increased volume of production would be to set up an agency whose job it would be to bring plants not now in the defense program directly into the program, and an agency that would have personnel—engineering personnel, organization personnel—in order to advise them how to bring this about, an agency that would have the power to make grants where the Government has already ruined an industry, and loans where it is still a going industry but very likely to be going out soon.

I think that if we gave some thought to the setting up of an industry agency, not to interfere with your agency or to interfere with the Department of Commerce, but merely an agency to go out and to revive and rehabilitate and convert existing plants that could be within

reason brought into the picture. Once they are brought into the picture, they could negotiate with Lend-Lease, War Department, Navy Department, or the Maritime Commission, or with prime contractors for some part in this program.

I hope you will give some thought to that, and I know you will, to the setting up of an agency that will have some authority to bring these small plants into the picture.

Mr. NELSON. I shall be glad to contribute whatever I can in thinking. However, I consider that is outside the field of production and procurement, and is not for me to set up.

Senator MEAD. I am of the opinion it is very close to production, if you bring in these 25 to 30 thousand plants.

Mr. NELSON. There are two things you have to separate out of that. If you are talking of conversion and bringing them into either the war effort or essential civilian supply, yes; I consider that as part of my job. The question of the financing of them and what is done in that way to rehabilitate them, or other things, I do not consider that part of my direct responsibility, and would rather see it set up independently.

Senator MEAD. I think so. I think if it was set up independently they would all be brought in line to participate in this program, and when they were able to participate in the program and prepare for it then they would become part of your productive effort.

Mr. NELSON. Then it would come over into our responsibility.

Senator MEAD. But I know offhand of two airplane factories, both capable of manufacturing trainer planes, and one with a contract for the Dutch East Indies that, at the time we visited the plant, was about completed; and I understand that Mr. Odum has helped one of these industries get into the defense picture, but the other small airplane plant has been unable to get into the defense picture; and so, if there are hundreds and thousands of such plants in the various categories that are striving to get into the picture, we ought to bring them in, and I know there are a great many located over the country; but we need, I believe, an independent agency with power to furnish them with the funds and the advice they need to come into the picture, and I hope it will have your cooperation at a very early date.

Mr. NELSON. I will be glad to cooperate with anybody setting it up, to show what the problems are so far as we see them.

Senator MEAD. I believe an endorsement from you in behalf of small business would be most helpful right at this time.

Mr. NELSON. As I told you, sir, I am discussing that with Mr. Eccles on Thursday.

Senator MEAD. Fine.

The CHAIRMAN. Mr. Nelson, there is a parting thought this committee wants to leave with you. If any of the agencies with whom you have to deal, and who have to come to the United States Senate for the approval of appropriations, do not feel that they want to wholeheartedly cooperate in this effort, bring that matter to the attention of this committee and we will bring it to the proper legislative committee so they will cooperate.

Mr. NELSON. Thank you.

The CHAIRMAN. If there are no other questions, that is all.

Mr. NELSON. Thank you again.

The CHAIRMAN. I want to have this editorial, which was published in the St. Louis Post-Dispatch and copied in the Richmond Times, copied in the record as my views on dollar-a-year men.

(The editorial referred to was marked "Exhibit No. 350" and is included in the appendix on p. 4248.)

The CHAIRMAN. The next meeting of the committee will be at the call of the chairman.

(Whereupon, at 12:50 p. m., the committee adjourned, to reconvene upon the call of the chairman.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

THURSDAY, FEBRUARY 12, 1942

UNITED STATES SENATE.
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM.

Washington, D. C.

The committee met at 10:47 a. m., pursuant to call of the chairman, in room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman), Clyde L. Herring, James M. Mead, Ralph O. Brewster, and Tom Connally.

Present also: Mr. Hugh A. Fulton, chief counsel, Mr. Charles P. Clark, associate chief counsel.

The CHAIRMAN. The committee will come to order.

Mr. MacKEACHIE, you haven't appeared before this committee before, have you?

Mr. MACKEACHIE. No; I haven't.

The CHAIRMAN. It is customary first to swear the witness. Do you solemnly swear to tell the truth, the whole truth and nothing but the truth, so help you God, in the testimony you are about to give before this committee?

Mr. MACKEACHIE. I do.

The CHAIRMAN. Will you be seated, Mr. MacKeachie? Will you tell us your full name and title, please, for the record?

TESTIMONY OF DOUGLAS C. MacKEACHIE, DIRECTOR OF PURCHASES, WAR PRODUCTION BOARD

Mr. MACKEACHIE. Douglas MacKeachie, Director of Purchases, War Production Board.

The CHAIRMAN. I am somewhat interested, Mr. MacKeachie, in your background before you came here. Tell us something about your connections before coming to Washington.

Mr. MACKEACHIE. Before coming here I had been purchasing director for the New England Division of the Atlantic & Pacific Tea Co.

The CHAIRMAN. And what were your connections before that?

Mr. MACKEACHIE. I had been with the Atlantic & Pacific Tea Co. for about twenty-odd years.

The CHAIRMAN. Twenty years. Were you the purchasing director for that organization? That is the biggest chain store outfit in the world, isn't it?

Mr. MACKEACHIE. Yes.

The CHAIRMAN. Well, you ought to know something about purchases.

Do you have a prepared statement you wanted to make?

Mr. MACKEACHIE. Yes; I do, Mr. Senator. It is very brief.

The CHAIRMAN. Proceed.

FORMATION AND FUNCTIONS OF CONTRACT REVIEW BRANCH OF WAR PRODUCTION BOARD

Mr. MACKEACHIE. I asked to appear before this committee because we have studied carefully the recommendations on reviewing contracts contained in the committee report of January 15 and given to me directly by members of the committee, together with those of the Vinson committee, and I should like to tell you briefly what we plan to do and to answer, so far as I can, any questions which may be in your minds.

First, let me say that we have in mind recommending the following policies, and these policies will be recommended immediately. They should be in effect in a few days.

1. That war procurement contracts be placed by negotiation rather than upon the basis of competitive bids. This method will enable the Government to make the most effective utilization of available productive capacity. It will eliminate the great volume of work and considerable delay which are involved in the procedure of placing contracts on a bid basis. Of course, it will not preclude asking for quotations from various sources where that procedure is desirable. By that I mean informal quotations.

2. That contracts for standard commercial items be placed generally with the smaller manufacturers, leaving the facilities of larger concerns available for the more difficult production tasks.

3. That contracts contain a standard clause for renegotiation under stated conditions.

This last recommendation embodies one of the recommendations of your committee. As I read your report, your committee recommends: (1) That contracts should be reviewed carefully after execution, in regard to protection of the Government's interest, prices, delivery dates, and terms; (2) that contracts ordinarily should include provisions permitting adequate review and renegotiation; and (3) that such provisions should be actively used.

As you know, title XIV of the second war-powers bill, now pending, specifically provides for the inspection and audit of the plant and books of any contractor with whom a defense contract has been placed since September 8, 1939. These powers, together with the powers of renegotiation granted by the first War Powers Act, will put us in a much better position to carry out these recommendations.

We are, therefore, setting up in the Purchases Division of the War Production Board a Contract Review Branch. The functions of this branch will be as follows:

- (a) To clear, prior to execution, such contracts or proposals for contracts by Government agencies as the Chairman, W. P. B., shall direct. Arrangements necessary to avoid delay in the execution of contracts will be effected with each contracting agency.

(b) To maintain a record of all substantial contracts placed by the War, Navy, and such other departments and agencies as the Chairman, W. P. B., shall direct.

(c) To analyze, from the standpoint of cost and otherwise, such contracts as the Chief of the Contract Review Branch shall select, with a view to recommending to the Director of Purchases audits or such other actions as may be deemed necessary and to perform such audits as the Director may authorize.

(d) To recommend to the Procurement Policy Committee the adoption of such policies and procedures as may be deemed necessary, from the review of contracts.

Although we retain the right to clear contracts prior to execution in clause (a), we anticipate that to expedite the program, clearance will be delegated to the procurement agencies under our supervision except under special conditions and the Contract Review Branch will concentrate on the examination of contracts after they have been executed. Every effort will be made to catch serious improprieties in the original clearance, while those matters requiring extended examination will be the responsibility of the Contract Review Branch. To do this, we shall ask the contracting agencies to supply us with copies of all substantial letters of intent, contracts, and changes made in original contracts. This procedure will not delay the program because our work can be done after production is under way. If our review and analysis reveals that further information is needed, we shall tie in closely with the auditing staffs of the various contracting agencies and use them in inspecting and auditing wherever possible. It would not be sound administration, in my judgment, for us to undertake to duplicate existing auditing staffs. We shall, however, build up an inspecting and auditing staff for use when, for any reason, a contracting agency is unable to do the job itself.

The point of view with which we are approaching this job is quite simple. We recognize that quantity of production and speed of delivery of needed military goods are the first essentials, and that contracting agencies should put them first. On the other hand, we do not believe for one moment that prices and more particularly costs should be forgotten. Costs are important not only because of the effect on the taxpayer, but also because high cost for a particular item frequently means that materials, machinery, labor, and management are being used inefficiently. In other words, if we compare the prices of several companies for the same item and find that they differ widely, it may mean that some of the companies are realizing large profits, or it may mean that the costs of some companies are very much higher than those of others. If the costs are higher, we must know it and know why they are higher. If we know why they are higher, we can either see to it that suggestions for more efficient operation are made by our production people, or we can consider whether the high-cost companies should not manufacture something else which they can handle more efficiently. In some instances, of course, we may conclude that our need for the particular item is so great that we must have the output of all the companies, high cost and low cost, and pay the prices necessary. In many other instances, moreover, to carry out the policy of bringing large numbers of smaller concerns into war production, particularly on standard and semi-

standard commercial items, we shall have to pay prices higher than otherwise would be necessary. But we shall know why it is necessary and make our decisions accordingly.

There is one important function which cannot be performed effectively by reviewing contracts after they have been executed; that is the examination of specifications to reduce the use of scarce materials or to make production easier and faster. We shall need to make certain that this job is done in other ways.

There, very briefly, are our plans. Before I undertake to answer the questions which may be in your minds, there is one thing further I should like to say. It is our hope that this Contract Review Branch can work closely with this committee and other qualified congressional committees so that we may have the benefit of your conclusions and suggestions. It is my understanding that a liaison man between the War Production Board and your committee has been appointed. You may wish to make your suggestions through him, but please understand clearly that we want to do this job in a goldfish bowl and that we shall welcome your suggestions.

I would like to add a few words on the statement that Mr. Nelson made before a meeting of the National Association of Manufacturers, in New York recently, which has been somewhat misquoted and somewhat misinterpreted. In addressing a group of manufacturers, he told them—

Senator BREWSTER (interposing). Was that a public or private meeting?

Mr. MACKEACHIE. It was quoted in the press; I assume it was public.

Senator BREWSTER. There are various stories in the press about it. First it was said it was a private meeting. Then the reports appeared. That doesn't always prove it was a public meeting because it is in the press, as the gentlemen of the press will testify.

Mr. MACKEACHIE. I don't know whether it was an off-the-record meeting or otherwise.

The CHAIRMAN. It was a most astonishing statement and I will be very much pleased if you will elaborate on it some. I am of the opinion that neither you nor Mr. Nelson are entirely without view of the cost, that is, that you are interested in the cost as well as you are in the production, although there will be possibly a necessity sometimes, particularly if you make the right kind of distribution of these contracts to the little contractors, the little manufacturers, probably that you will have to pay more than you would on a mass production basis, but it does seem to me, and I hope you will elaborate on that, that the cost is of vital interest to the country. We are going to feel that vital interest on the fifteenth of March.

Mr. MACKEACHIE. I am greatly in accord with what you say. I believe the direct statement that Mr. Nelson was widely quoted on was one which went something like this. He said, "To hell with the cost, let's get the production started."

The CHAIRMAN. That is a most astonishing statement.

Mr. MACKEACHIE. You must bear in mind that he was addressing manufacturers, and what he was trying to bring forward to them was that they should not quibble about prices or the contract terms, but to get the job started and do the arguing afterward.

The CHAIRMAN. That, of course, puts another light on the situation. He wanted them to go to work and discuss costs afterward; in other words, he didn't mean that it didn't make any difference what it cost; he meant the manufacturer should think about getting the job done before he argued cost. Is that the idea?

Mr. MACKEACHIE. That is exactly true.

The CHAIRMAN. All right. That gives it a much better, a much better viewpoint.

Mr. MACKEACHIE. We are very definitely of that opinion. We don't want to wait and negotiate a contract while an argument goes on between the attorneys of the manufacturer and the contracting officers of the War Department over clauses and prices and terms. We want the job to be started and then do that arguing afterward.

The CHAIRMAN. Well, I hope you won't let the manufacturers take the same attitude that the Bethlehem Steel Co. has taken, that the contract and their pound of flesh is much more important than the production of steel. They have held up this steel production trying to get the last "i" dotted and the last "t" crossed in the contract, and so did the Aluminum Co. of America, and so did the copper people. We don't want that repeated from here on. They ought to be just as patriotic as the boys who don't negotiate the contract and work for \$21 a month. They are to be shot at.

Mr. MACKEACHIE. We feel our job is to assist these contracting officers of the services in getting a deal made, no matter what kind of deal it is, even if it is a vague letter, so that production may get started, and then to supervise the placing of the actual contract in the proper way after the job is going. We can't wait 2 months while the contract is being negotiated.

The CHAIRMAN. That is absolutely correct.

Mr. FULTON. And it is in order to protect against that very inequity of cost that you are setting up this method of contract review?

Mr. MACKEACHIE. That is right.

Mr. FULTON. So as to make sure that the cost is not exorbitant?

Mr. MACKEACHIE. We are interested in this contract review both in price and in cost. They don't always go together. We want to be sure that the cost is proper. As Senator Truman says, it may be necessary for us to pay some costs which may appear to be out of line in order to get into production all of the small facilities of the country. But we also want to be sure that the relationship between price and cost is proper.

The CHAIRMAN. Do you expect to decentralize this purchasing program so that we won't have Washington cluttered up with brokers and front men and have these little fellows coming here stumbling over one another, not knowing where to go? Are you going to them, or have them come here?

Mr. MACKEACHIE. We are going to assist the armed services in getting trained procurement people out into the field to do as much of the work as possible in the field. It can't be done in Washington.

The CHAIRMAN. I was also interested very much in the statement you made about the audit. In our investigation of the camp-construction program we found that the Construction Quartermaster usually had the auditors on hand to do exactly what he told them and they were not there for the purpose of making an audit in the in-

terest of the Government; they were there to obey his orders and do things as he told them, and not for the protection of the Government. I hope you will set up an auditing program under this authority which is given by the last war bill, so that the auditors can call a halt on the unconscionable waste of money that has been going on in these expenditures.

Mr. MACKEACHIE. As soon as that bill is passed we will have the program set up, unless it has been passed in the last day or two.

The CHAIRMAN. And you will have the auditors for the purpose of auditing and giving you the facts so that you can act on them accordingly and not to obey the orders of somebody in the War Department?

Mr. MACKEACHIE. The audit will be set up under Dr. Sanders, who is professor of accounting at the Harvard Business School.

The CHAIRMAN. And it will be an independent organization?

Mr. MACKEACHIE. It will be an independent organization and we will ask the auditing staffs of the War and Navy Departments to carry on audits where we believe it is necessary, and they will be carried on under the supervision of Dr. Sanders' group.

Senator BREWSTER. You will have a sufficient staff so that he could supervise the audit, although he might not handle the detail work?

Mr. MACKEACHIE. That is true. He will have enough staff so that he can direct the audit or direct the method under which the audit is carried out. Now, we have prepared and put in the hands of the contracting agencies a rewriting of a cost formula which will be used in making these audits, in determining the proper items of cost which can enter into war production.

The CHAIRMAN. Now we are going to get somewhere if you will do that.

Mr. MACKEACHIE. You can't include, for example, credit expense or sales expense or advertising under those things. We want all of the auditors——

The CHAIRMAN (interposing). Or brokerage.

Mr. MACKEACHIE. To have the same formula.

The CHAIRMAN. I say "or brokerage."

Mr. MACKEACHIE. Or brokerage, I quite agree with you.

Senator BREWSTER. Have you analyzed the accounting methods of the War and Navy Departments, for instance, to see to what extent they correspond?

Mr. MACKEACHIE. They are not entirely alike, and we are meeting this afternoon with the chief auditors of the War and Navy Departments, with Dr. Sanders, to set up a uniform reviewing and auditing system.

The CHAIRMAN. Don't you think you ought to take the General Accounting Office into consideration in that also?

Mr. MACKEACHIE. They have been consulted on this right along. They have this formula under study now.

The CHAIRMAN. The whole thing, in the long run, has to go through the General Accounting Office and it seems to me that they ought to be taken into consideration when you set up this auditing program.

Mr. MACKEACHIE. That is right.

Senator BREWSTER. I think the Congress, and I am sure the country, would be interested, Mr. MacKeachie, in as frank a statement as you feel now proper, as to change in the system under the new organization. Under the old, O. P. M. was merely advisory; contracts over \$500,000 were referred to O. P. M. for advice. The system proved cumbersome and unwieldy. We now have a new system under Mr. Nelson and yourself operating it. I think the more clearly you can show us in the country how this is to correct the defects, the better. Mr. Nelson apparently was not in a position to speak too completely when he was here about how he proposed to infiltrate and integrate, and we didn't press him in the matter, in the questioning, because perhaps it involved certain delicacy of relationships with the various departments. How much is it now possible to say as to how we are going to have an integrated organization of procurement under the direction of Mr. Nelson?

Mr. MACKEACHIE. I think we can be pretty definite on that now. I would like to take the Navy as an example, where the whole job is completed. Admiral Robinson has been appointed a vice admiral in charge of material, which, in the Navy, means procurement and production. Admiral Robinson has under him Mr. Folsom who was formerly deputy in the Division, who will be in charge of purchases for the Navy and will, under Admiral Robinson and Mr. Forrestal's direction, see to it that adequate procurement personnel are installed wherever it is necessary to add to those now in service.

Senator BREWSTER. He was transferred from your division to the Navy so he is now a Navy employee?

Mr. MACKEACHIE. That is right, sir.

Senator BREWSTER. But was, shall we say, recommended or designated by Mr. Nelson?

Mr. MACKEACHIE. That is right.

Senator BREWSTER. Does the power of removal continue?

Mr. MACKEACHIE. The power—I don't quite follow you.

Senator BREWSTER. If Mr. Folsom did not operate to the full satisfaction of Mr. Nelson, would it be possible for Mr. Nelson to have a change?

Mr. MACKEACHIE. Under Mr. Nelson's authority I think it is quite clear that if the purchasing is not carried on satisfactorily he certainly would make a change.

Senator BREWSTER. I don't anticipate these difficulties, but, after all, it is the only way Mr. Nelson can be accountable, if he not only has the power of designation but of removal. I assume that is implicit in the situation.

Mr. MACKEACHIE. Our basic idea is not to set up a third organization to do procurement, but to attempt to build up the procurement agencies of the War and Navy Departments so that they can keep in step with the program as it grows.

Senator BREWSTER. Yes.

Mr. MACKEACHIE. Now the policies will be generally set up under a so-called Purchases Policy Committee, which will consist of Mr. Folsom in the Navy, Mr. Browning in the War Department, Mr. MacPherson in the Treasury Procurement, and myself; and we will make such recommendations as are necessary to Mr. Nelson.

Senator BREWSTER. Does that clear on priorities as between the various departments?

Mr. MACKEACHIE. No; the military priorities between the departments are determined by the Joint Board and the Army and Navy Munitions Board.

Senator BREWSTER. And what is the relation of Mr. Nelson to those groups?

Mr. MACKEACHIE. Under the Presidential order, the Army and Navy Munitions Board reports to the President through Mr. Nelson.

Senator BREWSTER. Under the audit and review, you are attempting to secure a preview of the contracts before they are executed?

Mr. MACKEACHIE. We have, in the case of the Navy where we have proceeded pretty far, delegated a pre-clearance of contracts to Mr. Folsom, and he has added to his staff one of the men from our Contract Review Branch who is accustomed to the method of clearing and of reviewing contracts prior to execution, and that will be done under a coordinated policy between our office and the Army and Navy.

Senator BREWSTER. And sufficient view will be kept of the operation of these contracts so that the possibility of renegotiation will be always in view?

Mr. MACKEACHIE. It will be always in view. Considering the vast number of contracts that are placed, it may be sometime before we get to a lot of them. We mustn't look for too quick an action on quantities of contracts, because some very careful checks must be made. Dr. Sanders has in mind this basic formula, that he will review series of contracts, also review the relation of price and cost between manufacturers making the same item, that he will match those results with the earnings statements of the companies involved and from that get a pretty good working basis as to whether a special audit will become necessary.

Senator BREWSTER. What do you say in procurement as to the relative advantage of these two policies, (1) to place a specific limit on the profits to be received from any contract, (2) to recapture through the provisions of the excess-profits law the profits that may seem excessive of any corporation?

Mr. MACKEACHIE. We have a very definite opinion on that. First, that it is impossible to develop any limitation policy on profits on particular contracts which would be equitable because of the differences in type of work on different contracts. The application of the same percentage profit limitation to a man turning out links for machine-gun belts, where it is an automatic, rapid-fire operation, naturally is quite different from the man turning out a battleship, where he has a vast plant investment and a 3-year job, with varying conditions throughout the operation of that work, would have very different results. There are a number of other factors which would make it difficult to set any formula which would be at all sound. For instance, one man may be operating a plant which has been built by Government funds, and another man may be operating a plant in which he has all of his own money. We feel rather strongly that the soundest way to do it is to be sure, through this audit and review operation, that the prices are kept on a reasonable level and that any excess profits beyond what we can determine here be recaptured under taxation of surplus profits.

Senator BREWSTER. You might have a corporation with the same capital investment that would have contracts which might turn over in three months, while some other corporation, building a battleship, would be 3 years.

Mr. MACKEACHIE. That is right.

Senator BREWSTER. If you have the same profit limitation on the contracts, one fellow would multiply that profit by 10, while the other fellow would be getting only 3 percent in that period.

Mr. MACKEACHIE. That is right.

Senator BREWSTER. So the inequity between the contractors would become very marked.

Mr. MACKEACHIE. I think that any formula legislated on that basis which would cover all operations would really in a way legislate excessive profits to some manufacturers.

Senator BREWSTER. Yes. I think that is very clear.

The CHAIRMAN. Senator Mead?

Senator MEAD. Mr. MacKeachie, No. 2 on this list is very interesting in that it indicates that contracts for standard commercial items may be placed with smaller manufacturers. Taking it, together with item No. 1, "That war procurement contracts be placed by negotiation rather than upon the basis of competitive bids," it looks to me like an opportunity to bring every idle plant and every dying plant, large and small, into the defense production program. Heretofore, with competitive bidding and large contracts, no funds and no loans, the smaller and intermediate fellows couldn't get into the picture at all, but by negotiation rather than competition, and by contracting for standard commercial items with the smaller manufacturers, you have the authority practically to put every plant in the country to work.

I wonder if that particular task has the right and the adequate personnel and if it is being pursued with all the force that it really demands.

Mr. MACKEACHIE. It is being pursued. I wouldn't want to be so optimistic as to say it would put every plant in the country to work, but it would certainly result in putting a great many small plants to work, giving them orders for somewhat easy items—standard or semistandard commercial items—where in the past they may not have been the low bidder and may not have gotten that business. I think you are aware of some cases of that kind.

Senator MEAD. To illustrate, we have had before us a manufacturer of the jeep car, the man who pioneered it, the man who, our committee was told, really developed it; and as a result of the War Department's methods of negotiating contracts, as I understand it, under the old O. P. M. system, he lost his contract, he ran out of work, and a large former automobile manufacturer, with plant built entirely by Federal funds, with a loan from the R. F. C., took over the contract.¹ We found that factory working, while the factory up here at New Bedford, Pa.—Butler, Pa., was closing down.

It occurs to me that under this formula we could be manufacturing the jeep cars in both these places, using the plants, the skilled men, and the added productivity.

¹ See Hearings, Part 7, pp. 1967-1992, 2067-2075.

Mr. MACKEACHIE. That is generally true. There is one particular factor that comes into that situation, and that is the necessity for standardization of those cars among all of the factories making them, because when they go out in the field, they must have one standard set of parts that will fit all the cars. Some of the armies in the field have learned, to their sorrow, that that is a very necessary thing.

Senator MEAD. Of course, in one instance they may manufacture for the United States Army and in another instance they might manufacture for lend-lease, for the Chinese Army or for Australian service.

Mr. MACKEACHIE. In that case, they wouldn't have to be standard.

Senator MEAD. That is right, and in either case, it seems to me pitiful to have one plant operating on a 24-hour basis, built entirely by Government funds and operating as a result of a Government loan, and the other plant, a plant which pioneered in this work, closing down and laying off the men, and presenting not only an idle plant, but an idle industry, an idle town, a town that will be making application for the unemployment insurance fund that has been set up by the Government so that those skilled workers, instead of working for the defense program, will be drawing their \$24 a week, I believe it is.

Well, anyway, I am rather encouraged by item No. 1 and item No. 2, providing the Army and Navy will cooperate, and providing you have an audit division that will see to it that placing the contracts by negotiation will not lead to corruption.

Mr. MACKEACHIE. That is very necessary.

Senator MEAD. Eliminating competition, competitive bidding, and substituting negotiation puts a heavy load on the auditing division, and we ought to be very careful about that.

Mr. MACKEACHIE. And it requires very careful supervision of the contracting personnel.

Senator MEAD. That is correct.

Now, under Mr. Mehornay in the first place, and under Mr. Odum's direction in the second instance, we established a fairly good, efficient organization throughout the country to disseminate information and aid small and intermediate business in acquiring a knowledge of what is going on. I understand that some orders have been issued eliminating these coordinators, reducing the personnel in some instances, setting up more or less inactive advisory committees. It occurs to me that any move in that direction is a decided loss, and we ought to maintain and augment these officers located throughout the United States in all their efficiency in order to bring more of these plants into the defense picture, in order to keep more of our skilled workers working, and in order to do the job better and quicker than we would do it without them.

So I hope that the field organization of coordinators and the coordinators' aides will not be reduced, but will be increased.

Mr. MACKEACHIE. I know of no tendency to reduce that organization, Mr. Senator. As a matter of fact, we expect a very much closer working arrangement between those officers and the field procurement officers in the services.

Senator MEAD. I don't recall the name, but a copy of a letter reached my office just a few days ago, indicating that they were

going to eliminate the coordinators and set up advisory committees in some places.

Mr. MACKEACHIE. There may be some change in the method of organization, but it is only to speed up the work, not to eliminate them.

Senator BREWSTER. Hasn't there been an order consolidating Priorities and Contract Distribution?

Mr. MACKEACHIE. No; the Contract Distribution Division and Production have been combined.

Senator BREWSTER. But not priorities?

Mr. MACKEACHIE. Oh, in the field?

Senator BREWSTER. Yes.

Mr. MACKEACHIE. I see what you mean. They are going to combine the various field offices of the War Production Board so that a manufacturer may go to one office and discuss his contract distribution problem and his priorities problem and whatever problems he may have. In the past, the Priorities Division has had a separate field organization.

Senator MEAD. That is right.

Mr. MACKEACHIE. And the Contract Distribution Division had a separate field organization, and one or two more, maybe. They are all being combined so that they are operating in the same region in the same city, being put together so that there will be one place to go.

Senator MEAD. It seems to me they all came under the coordinator, and the order which I heard about was an order to abolish the coordinator.

Mr. MACKEACHIE. I can't tell you the details of how that will be worked, but what change will be made I am sure will add to the efficiency of the operation.

Senator MEAD. Yes.

Mr. MACKEACHIE. That is what Mr. Nelson has in mind.

Senator MEAD. It would be a decided loss if this organization, built up over a period of months by Mr. Mehornay and later by Mr. Odum, was reduced and diminished. It really should be improved and made more effective.

Under this authority which you may exercise, according to these items, I suppose that a given plant manufacturing fans, for instance—we are both familiar with that illustration.

Senator BREWSTER. Fans are out, Mr. Senator.

Senator MEAD. Yes. Well, I am talking about fans that are very vital to the cooling off of the workers in the hold of a ship, for instance, but we have many industries and many plants in the country that are manufacturing electric fans—air-cooling fans, air-conditioning fans, exhaust fans, and all sorts of fans—that are very necessary in our battleships and in our war industries. Some of these plants are large enough to build tanks and just build fans as a side line, whereas, if they built nothing but tanks they would build more tanks. There are other plants that are so small that they couldn't be utilized to construct tanks—they could build more fans, with the result that the little fellow who isn't getting a contract to build fans and can't get a contract to build tanks, would actually be working and employing men, utilizing his plant, and the big fellow who

can build tanks and is building tanks would be building more tanks and not some tanks and some fans.

So it occurs to me that if there were a reallocation of some of these contracts, we could put the plants to work at a maximum of capacity.

I learned of a plant that was manufacturing a very large article for the War Department, but it was also manufacturing gas masks, and there were a hundred and one other plants, some of them small, that were looking for jobs and could build gas masks, but this big fellow, who could build other articles, had the big contract for building gas masks. That is an improper sorting of the contract or distribution of the contracts.

It reminds me of the difficulties that were encountered by this manufacturer of jeeps at Butler. We understand that we are 3 or 4 months behind in our deliveries to Russia. I don't know whether that is so or not. We understand that Lend-Lease could contract with this Butler firm for jeeps for the various countries that we are supplying. They wouldn't have to be standard according to Army regulations, and yet according to the information brought to our committee, that plant was allowed to shut down. The management of the plant was here before us and said "When we finish this order—and it is about to be finished—we won't have another order." That is something we don't want to happen, and I think it can be corrected by item No. 1, which permits the negotiation of contracts, by item No. 2, which will permit the distribution of small commercial items to these smaller independent plants. But to do it, we must maintain and increase this field organization that has been built up and provide the information, provide the advice, and sometimes provide the engineering and, through Jesse Jones or someone else, the money.

Mr. MACKEACHIE. Those two policies are exactly for that purpose.

Senator MEAD. I am very much encouraged by them.

Mr. MACKEACHIE. The size of the problem itself, with these new appropriations coming through, will help a great deal, because that program cannot be placed with any speed of execution unless all of the facilities of the country are used and used to the best advantage.

Going back to your fan case, it certainly isn't sound to try to convert a small plant to making something else and allow fans to be made in the large plants which can be converted and which have the engineering skill and management to convert, whereas the small plant hasn't in most cases.

Senator MEAD. That is quite right.

You said a moment ago that the Army and the Navy were cooperating in the procurement of material and equipment and supplies, and I was wondering if the same applies to the Maritime Commission. Do you exercise the same authority over their procurement that you do with regard to the Army and Navy?

Mr. MACKEACHIE. I believe that the Presidential order covers all war procurement.

Senator MEAD. That would include defense housing, for instance?

Mr. MACKEACHIE. We have very close working arrangements at the present with General Fleming, and he is clearing procurement with our men constantly.

Senator MEAD. What about this corporation that was set up some time ago, called Ships, Inc., which was to produce the sea otter type of ship? Is that in operation?¹

Mr. MACKEACHIE. I am not familiar with that. I don't know. I don't know whether it was ever operated or not.

Senator MEAD. It has an office. It is located down here in Washington some place, and they were to build a ship that was probably outside of the ships required and the specifications now permitted by law as far as the Maritime Commission was concerned. This was to be a smaller ship. It was to be a ship that was to be hastily constructed, and it was supposed to make its contribution to shipping in this emergency period.

Mr. MACKEACHIE. I will investigate that and check up on the status of that company and see what it is doing.¹

Senator MEAD. It seems to me that the head of the Dunlop Tire Corporation was made head of this organization, and he has set up some kind of organization under him, but whether he is functioning and whether he comes under your direction, I do not know. It seems to me that with the authority that Mr. Nelson has, consolidating priorities and allocations, and so on, within his jurisdiction, he could pretty well direct all of these procurement agencies, and he could establish the type of house by exercising priorities and by determining the materials.

Mr. MACKEACHIE. The men from the Purchases Division are working with those people all the time on their specifications for equipment to go into the house.

Senator MEAD. That will be a very helpful contribution because our committee saw all kinds of houses in the course of our investigation, some of which never should have been built. I think, by exercising a little authority, by close cooperation between the two agencies, and by exercising all the authority that is inherent in this new Board, we may get a better brand of defense housing and also do a much better job. But above all, we must have the cooperation of the various agencies with your agency.

Mr. MACKEACHIE. We found that generally to be pretty complete in this new set-up. Mr. Patterson and Mr. Forrestal have worked very closely with us in the Army and Navy, and Treasury Procurement have been working extremely closely with us. Those are the three big buying agencies. We are very well satisfied with the way they have worked with us.

The CHAIRMAN. Senator Herring?

Senator HERRING. Mr. MacKeachie, I assume you are not familiar with the "jeep" deal that has been talked about, are you?

Mr. MACKEACHIE. Yes; to a reasonable extent. It has been talked about for a long time.

Senator HERRING. If they had let a contract with one manufacturer at that time, the War Department could have let it with the originators and didn't need this authority.

Mr. MACKEACHIE. As I followed the negotiations, I think their judgment was pretty sound. I would be glad to get a complete re-

¹ Under date of February 16, 1942, Stanley F. Teele, Consultant, Division of Purchases, War Production Board, submitted additional information on Ships, Inc., which appears in the appendix on p. 4291.

port on that. I have one in the office on it. We checked it again a while back.

Senator HERRING. I think you will find that the originators didn't have a man sitting here over in the War Department, and that is probably the reason that they didn't get the order.

Mr. MACKEACHIE. I am afraid that isn't true, Mr. Senator. They have had men down here. He certainly has been parked on my doorstep most of the time.

Senator HERRING. Maybe it was the wrong doorstep.

Are these offices established by Mr. Odium being continued?

Mr. MACKEACHIE. Yes.

Senator HERRING. I hope they won't be as elaborate as the one they established out in my State, where they wanted to take over two floors and bought a lot of fancy rugs and high-priced furniture and sat some people in there who had nothing to tell men who wanted to get a contract. That was held up, you know, as a great relief to the little supplier, and if they had carried it out on the plan which they started out there, I think they would have had more invested in the office than the contractors got out of the contracts.

Mr. MACKEACHIE. I can't speak with authority on the reorganization of that Contract Distribution Division, as I told Senator Mead.

Senator HERRING. I think Mr. Nelson should go into that.

Mr. MACKEACHIE. Mr. Nelson is working very closely on that.

Senator HERRING. It certainly caused a lot of criticism out there.

Senator BREWSTER. Hasn't that been put under Mr. Scriven now?

Mr. MACKEACHIE. I can't tell you.

Senator BREWSTER. I think that is the case.

Mr. MACKEACHIE. It is under Mr. Harrison's division.

Senator BREWSTER. Mr. Odium isn't in charge of that work, is he?

Mr. MACKEACHIE. No, sir.

Senator BREWSTER. Mr. MacKeachie, to what extent have you been able to move in the direction of three shifts and 24-hour use of machine tools? Our survey 6 months ago showed only about 50 percent utilization of machine tools, while we were expending tremendous energy in manufacturing more machine tools.

Mr. MACKEACHIE. The last report I saw on that showed a considerable progress. I can't remember and give you the figures.

Senator BREWSTER. But you do have that definitely in mind to get the existing tools in as full use as possible. I think they said 20-hour use was feasible. They had to allow a little margin.

I have always felt the best measure of our success must be the total disbursement month by month. That is the barometer I have always used. We were around a billion a month. We have been up to two billion, and I think this last month, two billion three hundred million. Our goal at present, I think, is four billion. Do you ever deal in those over-all figures?

Mr. MACKEACHIE. Not in the actual disbursements; that is, my particular Division does not. The contracts placed, however, are moving along very fast. January was quite satisfactory in the amount of business that was actually placed and started. However, there is a lot of conversion involved, and sometimes your disbursement doesn't come until a long while afterward.

Senator BREWSTER. Back sometime I think the country had a sense of disillusionment through things "on order," which didn't worry Mr. Hitler at all. The thing that really counts is the production. Through all this last year or two I have insisted on that measure, feeling that roughly what you paid out indicated what you produced. Is that a fair measure?

Mr. MACKEACHIE. It is.

Senator BREWSTER. And when you get to that, how rapidly would you anticipate we could move toward a 4-billion-dollar-a-month production for defense?

Mr. MACKEACHIE. I would rather have Mr. Harrison go into that whole production field. He is thoroughly familiar with it, and I would be pretty thin on my accurate information.

Senator BREWSTER. That would be his field, then?

Mr. MACKEACHIE. After the business is placed, then that comes into the Production Division.

Senator BREWSTER. As to how fast it is going to be turned out?

Mr. MACKEACHIE. That is right.

Senator BREWSTER. You agree that contracts placed is not as satisfactory a measure as disbursements?

Mr. MACKEACHIE. Well, of course, your final results depend on disbursements, and yet the contracts placed have an important part in the picture.

Senator BREWSTER. They are preliminary.

Mr. MACKEACHIE. You have the tooling up and starting the conversion before you get any production. It is highly desirable, of course, to get those contracts placed.

Senator BREWSTER. I would say it is a little more desirable to get the contracts executed. You must place the contracts, but if we rely simply on that, we may be in a fool's paradise unless the stuff is going to be turned out.

Mr. MACKEACHIE. There has to be a very close follow-up on the contractor after he has taken the business to see that he does get to work and meet his schedule.

Senator BREWSTER. Would Mr. Harrison, you understand, have an estimate of how the monthly production might rise?

Mr. MACKEACHIE. I think he has a very accurate picture of the whole production situation.

Senator BREWSTER. Perhaps we will hear him a little later.

A matter which has always interested me has been the use of alternative materials, to which one of your items refers. Undoubtedly, steel is much more desirable in the construction of many boats. On the other hand, wood may be used and always has been used. There has seemed to be a tendency in the departments of each one thinking, "There is enough steel for me and I want the best thing I can get," without realizing—in fact, I think an Admiral testified he didn't realize that there was any steel shortage as far as he was concerned. Perhaps there wasn't if he had a proper priority, but with the overall picture of Army, Navy, and merchant marine, there obviously wasn't going to be enough to go around.

Who deals with that particular problem as to whether the twilight zone of boats between 100 and 200 feet, for instance, shall be wood

or steel, and the types, and so on? Who would deal with that in your organization?

Mr. MACKEACHIE. Well, I think almost everyone would be involved in that. You start with the Federal specifications and then you go down to the raw material division to determine what materials are available and are best adapted for those uses and what is the most important use of each material, and also the speed of construction and procurement of various materials.

Senator BREWSTER. You have all of those divisions in your organization?

Mr. MACKEACHIE. In the War Production Board.

Senator BREWSTER. And you are taking the responsibility for that? For instance, I found that in the Brooklyn Navy Yard 3 months ago they couldn't get steel for battleships. They didn't know what was the matter, but they couldn't get it.

Mr. MACKEACHIE. They have had some slight delays, but generally speaking, they are in pretty good shape.

Senator BREWSTER. In their requirements. You think that is overcome?

Mr. MACKEACHIE. As far as the Navy is concerned, I think they are pretty well up to schedule on plate.

Senator BREWSTER. What about aluminum?

Mr. MACKEACHIE. Aluminum has been pretty well eliminated from everything but planes or some uses in the Navy where you just can't make a substitution without redesigning the whole ship.

Mr. FULTON. In that connection, I understand that you proposed recently to be eliminated a specification that had been set up to have aluminum sheet unnecessarily used in connection with the preparation of trucks to haul gasoline to Army aviation bases. Do you know of that?

Mr. MACKEACHIE. Yes.

Mr. FULTON. Why did the Army want to use a material that was between five and six times as expensive and which was so scarce for a use of that type? Why was it necessary?

Mr. MACKEACHIE. When they designed that truck and wrote that specification, there was no shortage of aluminum, and the reason for using aluminum was that those trucks to service planes are sent out in the field with the Air Force, out in the theaters of war and their flying fields, and lightness is highly desirable.

Mr. FULTON. When did you make them make that change?

Mr. MACKEACHIE. They made the change when it became evident that aluminum must be eliminated from every possible use except planes. This was one of the later ones eliminated, and it did require redesigning the truck. The truck was designed with its axle strength and frame for a very light metal, and it had to be completely redesigned for the use of steel.

Mr. FULTON. When was it actually eliminated?

Mr. MACKEACHIE. I guess the last contract which was changed was about a month ago, in my recollection—several weeks ago.

Mr. FULTON. And the time that the aluminum shortage was discovered was certainly not later than May.

Mr. MACKEACHIE. It took considerable time to redesign that truck. The redesigning, as a matter of fact, is not complete yet. There

were a lot of semifabricated parts to the truck that might better be used up.

Mr. FULTON. But they were fabricated in May?

Mr. MACKEACHIE. Partially; yes.

Mr. FULTON. My information was that very little had been done as of that day.

Mr. MACKEACHIE. On the last contract, which is now being completed, when we checked that, we either had to discard a lot of the other parts which were designed for the use of the aluminum for the body or complete the fabrication job of the whole job with the aluminum sheet.

Mr. FULTON. But you are talking as of November, December, or January.

Mr. MACKEACHIE. That is right.

Mr. FULTON. And I am saying that as of May, when the shortage was discovered, when I think the Army knew of it, there weren't very many parts that were made, and as far as changing specifications was concerned, all the oil companies were using steel sheet in their own trucks and such specifications existed. Isn't that true?

Mr. MACKEACHIE. That is right.

Mr. FULTON. As a matter of fact, it took more new specifications to make the new light truck than it would have taken to make the old truck.

Mr. MACKEACHIE. That is true, yes; if you want to eliminate entirely the desirability of a light truck for foreign use. For domestic use there is no problem; you can use any kind of truck.

Mr. FULTON. I took it only as an example. Mr. MacKeachie, along Senator Brewster's line of using materials unnecessarily. I think if you took the weight of that sheet steel and the weight of the aluminum sheet, and compared that to the total weight of the truck with its load, you would find that the saving was a rather negligible percentage, certainly not one that would warrant the use of so scarce a material at so great expense.

Mr. MACKEACHIE. That is why it was cut out.

Mr. FULTON. It was cut out later because you told them to and not because the Army realized it. Isn't that true?

Mr. MACKEACHIE. That is true. The Army, of course, would like to have the most efficient pieces of equipment that they could possibly get, and they do resist, and properly, because it is their function to design the best pieces of equipment, and it is our work to convince them that they should be changed when materials are more needed for other purposes.

Mr. FULTON. That is only one example of many in which you might be interested, particularly in connection with this statement that you intend to examine the specifications of the War and Navy Departments in order to reduce the use of scarce materials and to accelerate production.

Mr. MACKEACHIE. That is not an intent, Mr. Fulton. That has been going on for some months, and about 150 of the rather important specifications have been revised; that is, the Federal specifications. A great many of the Army and Navy specifications have been revised, and then, oh, another hundred or so, of the less important specifications

have been revised to meet civilian practices. In the metals, in the metallurgical job, a lot of work has been done on that in the changing of alloys. That information, of course, can't be made public.

Mr. FULTON. With respect to that particular subject, there is definitely a position, is there, which as far as I can understand would be a proper position on the part of the War Production Board, that the War Production Board in the last analysis has the right to determine the specifications and to overrule either the Army or the Navy in the interest of obtaining mass production?

Mr. MACKEACHIE. The War Production Board certainly has the right to allocate the material.

Mr. FULTON. And to determine the specifications that shall be used, if it disagrees with the War and Navy Departments.

Mr. MACKEACHIE. That is right.

Mr. FULTON. And, in the case of this aluminum truck, the right to say to the Army, "You shall not use it for that purpose."

Mr. MACKEACHIE. That was done.

Mr. FULTON. If that isn't done, would it be possible to obtain this fifty- to sixty-billion-dollar goal with the specifications that exist in the War and Navy Departments today?

Mr. MACKEACHIE. I think, taking aluminum as an example, the goal can be reached. That is, the supplies of aluminum will be adequate for the plane production, with the eliminations that they have made for aluminum for other military materials. Previously aluminum had been eliminated from all nonmilitary uses. Now it has been eliminated from a number of military items in which it is highly desirable but for which if we haven't got it, we can't use it.

Mr. FULTON. But taking the specifications as a whole, do you think that with the existing specifications, we can make the quantities of material that we are laying our plants for this year?

Mr. MACKEACHIE. There will have to be some further changes. Some of the hardeners used in armor plate are becoming very scarce, as you know, and there may have to be some changes from one hardener to another which may be available in greater supply. There may have to be greater changes as the situation changes.

Mr. FULTON. In other words, right now we have or you know of cases such as the alloys and others where, unless you do take control of determining specifications and make changes, rather than merely following the specifications that are now prescribed by the War and Navy Departments, you won't be able to make the number of tanks and the number of other items that are specified.

Mr. MACKEACHIE. That is the final result, but I think the War Production Board will handle it as a matter of allocation of the material for certain uses and will accomplish the same thing, and the specifications would have to be changed to meet the available material.

Senator BREWSTER. It won't do them any good to specify the use of aluminum if you won't let them have aluminum.

Mr. FULTON. But if you do let them have so much aluminum, they could use the aluminum in accordance with their existing specifications.

Mr. MACKEACHIE. They are using aluminum for a lot of specific purposes.

Mr. FULTON. But that goes further than the question of allotment.

Mr. MACKEACHIE. It does.

Mr. FULTON. Take the example that was given to one of the Senators as being a British practice. The Ordnance Department might devise a gun which they were very proud of as being the finest gun in the world, but for some reason relatively small portions thereof would be very difficult to produce in mass production. It wouldn't be a matter of materials—it would be a matter of machining and tooling to produce that particular gun. If a concern, such as the automobile companies, who are experts in the use of tools, should in effect be asked by your division to state how they could produce the most guns, and they should state to you, "If we could make this change, and that change, and the other change in the specifications, we could produce a gun which the Army would say is 3 percent less efficient, but we could make 50 percent more of them." under those circumstances, as I understand it, you have the power or assert the power of changing that specification, do you not?

Mr. MACKEACHIE. I think the power is there, but I also think that the efficiency of the material produced is of very great importance, and I am sure that we would be loathe to demand a change in specification by which we developed inferior war material.

Mr. FULTON. Well, the British have been forced to do that in many instances.

Mr. MACKEACHIE. We are being forced to do it in some cases now.

Mr. FULTON. And we are also forced to do it by the lack of the more superior article.

Mr. MACKEACHIE. An example of what I think you mean is the use of sponge rubber as a liner for tanks. It is highly desirable as a protection, as a padding for the men in the tanks when they are going over rough terrain. Yet with the shortage of rubber, that has been eliminated for more important uses.

Mr. FULTON. But an even more trying situation would be where the smaller article couldn't be produced, because it might mean the difference between putting a plant in production 2 months from now and putting it in production 6 months from now.

Mr. MACKEACHIE. I think that that has been met in this way, that where a change has been developed which has added to the efficiency of the military product, they have continued production with the old product and started in on the new development. As the war goes on, we are going to find a lot of our military items which will need revision, but we can't stop production and revise those to the new specifications. However, the new specifications can be started along with the other.

Mr. FULTON. But the new specification I am talking about is not one to increase the efficiency of, say, a gun, but one which will actually decrease it, but which will get it into the hands of the soldier who needs it.

Mr. MACKEACHIE. That is a matter that will have to be settled between the War Production Board and the experts.

Mr. FULTON. The only question I was asking was, do you assert the power to change that specification?

Mr. MACKEACHIE. I believe that that power is mentioned in the Executive order.

Mr. FULTON. So that in the event Mr. Nelson is of the opinion that in order to get mass production, it is necessary to do away with what

might be termed a gadget, he will do away with it and will so order the procurement agency?

Mr. MACKEACHIE. Yes.

Mr. FULTON. In connection with the use of scarce materials, the same thing would apply, would it not, to such as sponge rubber?

Mr. MACKEACHIE. It has been applied; yes. It is being applied right now.

Mr. FULTON. Complaint has been made to the committee about tires on some Government vehicles, that a Government vehicle, in any expected life that it would have, within the experience that we have had in the war to date, would be used only a few thousand miles and has tires that are built of the finest quality and of the finest character so as to last 100,000 miles.

Mr. MACKEACHIE. That is quite true, and new specifications on tires have been issued and are in effect.

Mr. FULTON. And they are changing those on those Army vehicles?

Mr. MACKEACHIE. They are very greatly changed.

Mr. FULTON. Is there any check being made as to why the change could not have been made a little before?

Mr. MACKEACHIE. I think we are more interested in what we can do with the future rather than spending time checking what might have been done in the past.

Mr. FULTON. But in order to determine what you can do in the future, you have got to determine what confidence you can place in the men who composed the past. Isn't that equally important for the future?

Mr. MACKEACHIE. I do not think the specifications on tires becomes a matter of confidence. It would be sound to have those tires for safety's sake, if we had the rubber to spare. There is more than the life of the tire involved. Now, the new specifications are adequate, but they are pretty close to the line of adequacy, I feel.

Mr. FULTON. But you know probably the best way to build any article is like the one-horse shay. There is no sense in building one part of a thing that will outlast the usefulness of another. I do think on many of these Government vehicles and other things that we have seen it is quite apparent that some parts are built much more expensively than the average part in the car, and they would not be anything but junk because of the defectiveness of the other parts of the car. Is an over-all plan being made to go into those?

Mr. MACKEACHIE. There is no plan being made. It has been made, and, of course, there are thousands of specifications; and we have a very considerable staff of metallurgists and other experts who are working with the Federal Specifications Committee. In fact, several of our staff are members of that committee, working with the Army and Navy constantly on revision of specifications. What you decide today may not be true tomorrow. For example, we eliminated in the early stages the use of zinc, when there was a shortage of zinc, and used tin. That had to be reversed. As the zinc production came into being and the tin became scarcer, there had to be a reversal. That worked on all the time.

Mr. FULTON. But you are going to undertake to force the change; you are already doing it and you are going to force an even greater amount of it?

Mr. MACKEACHIE. Yes.

Mr. FULTON. I could cite you innumerable examples.

Mr. MACKEACHIE. So could I.

Mr. FULTON. I can cite innumerable examples that have been given to me of what looked like ridiculous specifications.

Mr. MACKEACHIE. Some of them on investigation aren't as ridiculous as they look, however.

Mr. FULTON. Take for example the long staple yarns, the finest types of yarns being used for the underwear of the soldiers, the type that those men would never buy, and which commercially you couldn't sell to them in the market. There is no particular reason that the Government should pay a very large price for that particular type and thereby denude the commercial market of it and at the same time have a surplus of some other type of yarn that would serve equally well. And you can go down the line.

Another specification I have heard of over in housing, which I think you are in the process of changing, is that somebody decided that you should use steel instead of cast iron, on the theory that there was a shortage of scrap; and use more weight in the steel than you do in the cast iron. I cannot, for the life of me, understand how that could be justified. I think we could all find hundreds of them.

What I meant by the question was, isn't it important for the future to go into the past and get rid of some of the people who made some of these rather ridiculous specifications?

Mr. MACKEACHIE. That might be. But I don't say that a man is unsound or ineffective because he wrote tailor-made specifications when that particular time called for tailor-made specifications. They can still be changed and he can be changed if he is directed properly as to what we want.

Mr. FULTON. Is he being changed?

Mr. MACKEACHIE. I say the man can be changed if need be, but it may be that only his mind needs to be changed and that he will be fully informed on what is available and what needs to be done.

Mr. FULTON. Are the minds being changed?

Mr. MACKEACHIE. Evidently, the man did a very good job in designing this truck for overseas service. It isn't his fault that we do not have aluminum and that truck has to be redesigned. If it was redesigned, you wouldn't change the man but you would change the design.

Mr. FULTON. I don't know. The man who perhaps originally conceived the design would necessarily have it. There is a very big cost to this program—a tremendous cost; and you must bear in mind, as I think you have already stated, that when you design things in an attempt to reach theoretical perfection without regard either to cost or to the ability to mass-produce, you have not done a very good job, even though you may have reached perfection.

Mr. MACKEACHIE. As a matter of fact, the whole matter of equipment of troops has changed since then. When we had a draft Army, it was apparently necessary to give them quite a lot of attention in the way of the niceties of life. But since then sheets have been eliminated and a lot of frills of equipment have been cut right down to the bone.

The CHAIRMAN. You are going to make real soldiers out of them, in other words.

Mr. MACKEACHIE. Yes, sir.

Senator BREWSTER. How much encouragement can you give us this morning about progress? I think the country is pretty sick at heart.

It seems that we are spending two or three billions a month. That doesn't seem to interest the Japs or anybody else. Nothing seems to happen.

Mr. MACKEACHIE. The progress of production, I think, is encouraging.

Senator BREWSTER. You feel encouraged over what you have been able to do to date?

Mr. MACKEACHIE. I saw the January figures, and they are coming along nicely.

Senator BREWSTER. Without going into specific items—let us speak simply of the things which seem to be necessary to stop the Japs—without being more specific, do you think we are getting production of those items, when MacArthur's men are asking for half a dozen planes, for instance?

Mr. MACKEACHIE. Well, without going into military strategy, I think the problem is to fly those planes over there—getting them there rather than having the planes.

Senator BREWSTER. Are we getting production of fighting and bombing planes which sometime in the reasonable future is going to be a match? Is it fair to ask that question?

Mr. MACKEACHIE. They are going to be a match.

Senator BREWSTER. A match for what the Japanese are doing?

Mr. MACKEACHIE. Yes; we definitely are.

Senator BREWSTER. That is what, I think, the country very earnestly wants to know. It is a tragic picture when America is seemingly impotent in the face of this whole picture.

The CHAIRMAN. When a buck private can say to the country that 6 or 60 planes would be much more useful right now than 26,000 at the end of the year, I think something really ought to be done about it.

Mr. MACKEACHIE. I think that is a matter of the military handling of the war effort.

The CHAIRMAN. Sure.

Senator BREWSTER. But you are getting all the requests and requisitions necessary? The Army and the Navy are telling you what they want?

Mr. MACKEACHIE. Yes.

Senator BREWSTER. So it really is up to you to get the stuff?

Mr. MACKEACHIE. Yes.

Senator BREWSTER. It isn't any lack of specifications or stipulations as to what is needed?

Mr. MACKEACHIE. Not now, it isn't. We have a very definite program, and a very definite goal; but that was lacking a good part of last year.

Mr. FULTON. Senator Mead brought up a point to the committee here a few days ago that interested a number of Senators, and that was with respect to a comparison of the steam shovel and crane industry with the automobile industry.

As he understood it, the conversion of the automobile industry is something which we are trying very hard and with some success to make now, but for which there had not been laid any extended prior claims; and he was informed that in the steam shovel and crane industry they had contracts which will carry them through a period to about June of this year, and at that time you will have a heavy indus-

try capable of about at least \$500,000,000 a year production, and particularly suited for certain types of heavy production, such as tanks and parts of great weight. They really are more suited than the auto plants because they have railway cranes and larger machine tools and more of that kind of thing than would the auto plants.

Are there being made today concrete, specific, and practical plans for the immediate shift-over of an industry of that character?

Mr. MacKEACHIE. Generally speaking, no, because our demands for the things that they are now making are continuing. We don't know when they will stop. We are building bases and plants and building shipyards all over the world right now. You need cranes. That is a particular item that we probably need more than anything else that I know of.

Mr. FULTON. And we are not able to estimate what our needs of those will be?

Mr. MacKEACHIE. Yes; and they appear now to be adequate to keep that industry going substantially. Cranes are one thing they need very badly. As we send troops out of the country and it is necessary to arrange facilities for loading and unloading tanks and planes and things like that, heavy equipment is very necessary.

Mr. FULTON. Is the information correct that their contracts only carry them through June? ¹

Mr. MacKEACHIE. I cannot answer that offhand. I will be glad to check that.¹

Mr. FULTON. I know that some of the companies feel that they have no certainty after June, and if they are going to be needed definitely for a period of 6 months or 9 months more, the plans, even today, ought to be laid to convert them.

Mr. MacKEACHIE. I can't on my own knowledge tell you that. I have to limit my direct answers pretty much to what I know about it, and that is the procurement of materials.

Mr. FULTON. Well, are there other similar industries of that character that are very apt by reason of shortages of materials and completion of their contracts to require conversion?

Mr. MacKEACHIE. Yes.

Mr. FULTON. In a period of, say, 3 to 6 months?

Mr. MacKEACHIE. Yes. There is a meeting with the radio industry this morning, and there will be others coming along which will need conversion.

Mr. FULTON. And plans are being made for the definite conversion of industries to start, say, 6, 9, or 12 months in the future so that we will not have a recurrence of the automobile situation?

Mr. MacKEACHIE. That is right.

Mr. FULTON. One other question. On this renegotiation, the committee also had a recommendation that in order to prevent profits from the manufacture, after the war is over, of articles which had been put on order before, that there be inserted in the contracts now a clause which would permit the Government to cancel those contracts and cancel them under terms such that they wouldn't be liable for profits which they would have made if they had completed the contract. Is such a provision being inserted?

¹ Under date of February 16, 1942, Stanley F. Teele, Consultant, Division of Purchases, War Production Board, submitted further information regarding crane manufacturers which appears in the appendix on p. 4251.

Mr. MACKEACHIE. Yes; there is a termination clause which the Army has agreed to use and is using now. We have recommended that the Navy adopt about the same clause. I will leave the termination clause, which, roughly, limits and allows for the termination of the contract within a reasonable period after the end of the emergency, and limits the profits to that part of the work completed at that time, or within a short period. I will leave that for you.

Mr. FULTON. That type of thing would have saved a great deal in the last war if it had been there?

Mr. MACKEACHIE. I think it is quite necessary to have that in the contracts.

Mr. FULTON. And does your renegotiation clause, as you have proposed to insert it, apply to all contracts, including prior contracts that there had been no clause used in?

Mr. MACKEACHIE. No; we felt generally that that would probably not accomplish very much but a lot of argument and that we will have to use our audit and cost checking authority to go over those old contracts and, of course, you know that it is pretty difficult to write a good renegotiation clause for a contract without invalidating the contract itself.

Mr. FULTON. I think it is nearly impossible to write one that would be a standard clause for all contracts.

Mr. MACKEACHIE. And so, we have to do the best we can with that clause, and then depend on the persuasive powers of the various branches of the Government to see that that renegotiation is carried out.

Mr. FULTON. Is the renegotiation to be only persuasive, or when you have held your audit and have discovered what you might regard as a profit which by reason of unexpected contingencies would be very large, you have the power?

Mr. MACKEACHIE. As near as we can write a clause to put in the contract which won't invalidate the contract, we will get the best one in that we can.

Mr. FULTON. But you haven't yet got that contract clause?

Mr. MACKEACHIE. We have several drafts of it. I think Mr. Hawes would be willing to discuss that with you.

The CHAIRMAN. Senator Connally, did you have a question?

Senator CONNALLY. Yes. I would like to ask the witness a question not right on that particular point.

I don't know whether you are familiar with this particular matter or not. You're one of Mr. Nelson's assistants?

Mr. MACKEACHIE. Yes.

Senator CONNALLY. Do you know anything about the regulation of the O. P. M. respecting mohair? You know what mohair is, don't you?

Mr. MACKEACHIE. Yes.

Senator CONNALLY. Well, I sent some papers down there recently about it. It seems that there is some regulation or priority that won't let the civilians use mohair, cut them down or something—rationing them; and then the Army and the Navy don't use the stuff, so the result is that nobody is using it. My State is the biggest producer of mohair in the country. We would like them to use some of the mohair. Do you know anything about that?

Mr. MACKEACHIE. That doesn't come in my division.

Senator CONNALLY. I know.

Mr. MacKEACHIE. But I can't imagine that a thing like that would happen.

Senator CONNALLY. It is happening and I wish you would make a note of that.

Mr. MacKEACHIE. I'll be very glad to.

Senator CONNALLY. Contact whoever is responsible.

Mr. MacKEACHIE. I'll be glad to do that.

Senator CONNALLY. Whoever can do something about it.

I think Senator Brewster is on the other end of the proposition. He has manufacturers in New England who want to buy mohair and they cannot get any mohair because the Government won't let them have it.

Senator BREWSTER. We use about all the mohair in the country up there and it comes under the wool order that you shall not use over 50 percent wool. Mohair has always been wool under the protective tariff, to which Texas and Maine are alike devoted in this instance, and the result of the classification is that the use of mohair is strictly forbidden. No military use has ever been found.

Mr. MacKEACHIE. We are going to use some in place of shearlings for garments for the Air Corps.

Senator BREWSTER. That would probably be pretty small as compared with the goats that Senator Connally has down in Texas.

Mr. MacKEACHIE. Yes. Apparently the job is to reclassify for this purpose mohair as not wool; is that right?

Senator CONNALLY. However you can do it.

Senator BREWSTER. That is the point.

Senator CONNALLY. Experts can figure that out. You work that out yourself. You are doing us a very grave injustice. We are producing this mohair which is a useful article and these people in New England want to manufacture clothes.

Senator BREWSTER. That's right.

Senator CONNALLY. And palm beach suits and all that sort of business. They even wear it for these evening clothes—these white summer evening clothes made out of mohair of very fine quality.

Senator BREWSTER. Yes.

Senator CONNALLY. I just use that as an example. They make plush out of it for automobiles. Don't they make these plush covers for automobiles?

Senator BREWSTER. Unfortunately, they are not going to let us have any automobiles.

Senator CONNALLY. I am showing what a large avenue it has normally. They have cut all those things off.

The CHAIRMAN. They make pullman seats out of it too.

Senator BREWSTER. Yes. Well, whatever is not needed for military use, we feel should be made available for civilian use.

Senator CONNALLY. Will you look into that and see that it gets to the particular slot over there that it belongs in? I don't know who has it.

Mr. MacKEACHIE. I'll do it.

Senator CONNALLY. Mr. What's-his-name that you write to.

Senator BREWSTER. I don't know. They have changed—you mean in the production?

Senator CONNALLY. Yes; O. P. M.

Mr. MacKEACHIE. Frank Walton.

Senator BREWSTER. Doesn't it come under you as a matter of purchasing?

Mr. MACKEACHIE. Only if it's being purchased for military purposes.

Senator CONNALLY. It would be the same man if it's a question of purchases.

Mr. MACKEACHIE. It is a question of priorities.

Senator BREWSTER. I would like to be advised on it.

Senator CONNALLY. Some time right away. I would like to get it as soon as possible.

Mr. MACKEACHIE. I don't know why I can't let you know this afternoon.

Senator CONNALLY. I don't want to press you because you probably couldn't find it in that time.

Senator BREWSTER. The goats are putting in a 24-hour day growing this wool.

Senator CONNALLY. That's right. It is a serious matter. We produce more mohair than any other State in the Union, and get less for it in New England than in any other State in the Union.

Senator BREWSTER. We may have to talk to Mr. Henderson before we get through.

The CHAIRMAN. Did you have any further questions, Senator Connally?

Senator CONNALLY. I believe not.

The CHAIRMAN. Senator Brewster?

Senator BREWSTER. No.

The CHAIRMAN. Senator Mead?

Senator MEAD. No.

Mr. FULTON. No.

The CHAIRMAN. That is all, Mr. MacKeachie.

The committee will recess, subject to call of the chairman.

(Whereupon at 12:05 p. m., the committee adjourned subject to the call of the chairman.)

APPENDIX

EXHIBIT No. 219

[Submitted by United Brotherhood of Welders]

[Copy]

Mr. SIDNEY HILLMAN,
*Office of Production Management,
New Social Security Building,
Washington, D. C.:*

In reply to your request for negotiations we submit the following:

1. Conference to begin as soon as possible that all interested parties can be gotten together, including A. F. of L. executive board and C. I. O. executive board, and general executive board of all independent weldor and burner organizations.

2. The purpose of the conference will be to obtain through negotiation an equitable plan whereby future work cessation by weldors, burners, and helpers can be avoided.

3. Pending completion of negotiations, the weldors, burners, and helpers agree to return to work forthwith providing agreement by the parties listed above is obtained to the following conditions:

(a) That there shall be no intimidation or discrimination with respect to any weldor, burner, helper, or their leaders, and no pressure of any kind, neither by violence or by any other method, shall be used upon such weldors, burners, helpers, or their leaders.

(b) All weldors, burners, and helpers are to return to work under conditions and rates of pay effective when they left work.

(c) Pending completion of negotiations, no weldor, burner, or helper shall be required to hold any card other than the card issued by his independent organization for the purpose of continuing his employment during this temporary period.

(d) The A. F. of L. and C. I. O., each for themselves, agrees that all portions of contracts with employers dealing with welding or burning shall be suspended during this temporary period.

After you have acted in accordance with your judgment we will be available for immediate call from you.

KARL MORRIS,
General President, United Weldors.

DAVE BASOR,
Representative, Independent Weldor and Burner Organizations.

EXHIBIT No. 220

[Submitted by United Brotherhood of Welders]

CONVERSATION WITH SIDNEY HILLMAN

10 30-41.

Hillman: Reported he was sending a telegram and would read it over the phone so Mr. Morris would hear it right away. Reported also that Bert Keenan was supposed to have contacted Morris.

Morris: Reported had not had a word from Keenan.

Hillman: Read telegram. (See attached.)

Hillman said he couldn't possibly negotiate with 20 different international organizations over the telephone, that he thought there should be a convention

called for next Tuesday for all the heads of the different labor organizations, convention to be at Washington, D. C. The only thing for the solution of the weldors is to go back to work.

Morris: Have you contacted any of the A. F. of L. Heads at all?

Hillman: Reported he didn't want to talk with any of them (A. F. of L. Heads) over the telephone. Wanted to make a conference to discuss with the A. F. of L. and all other organization heads.

Also stated that the longer the weldors stayed away from work, the longer the delay would be for a conference.

Repeated again that the longer the strike is carried on, the longer it will take to bring action by him.

Said for the weldors' sake as well as for national defense that the weldors should return to work.

Morris: Asked whether the men could be assured that there would be no intimidation if they returned to work now. Morris stated that there probably would be plenty of it between the time of returning to work and the gathering of the conference next Tuesday.

Hillman: Hillman said to notify him immediately of any cases of intimidation that came up, no reassurance was given.

Morris: Asked if the weldors would be required to reinstate and if there was to be the same wages.

Hillman: Said to let the owners and managers of the companies, if there is discussion of wages, etc., get in touch with Hillman.

Wanted the representatives of all organizations in Wash., D. C., Tues. Said he was ready to start planning such convention.

Morris: Will notify Hillman of the action of the General Executive Board and of Dave Basor.

[Hillman phoned back 5 minutes later:]

Unable to hear part of this. End of conversation as follows:

MORRIS. Dave Basor is flying to Washington, D. C., tonight.

HILLMAN. Wanted to know how soon our organization would take action on his telegram.

MORRIS. There is no reasonable assurance that there will be any agreement reached. There is only one thing that we can do now and that is to take it direct to the President.

EXHIBIT No. 221

[Submitted by United Brotherhood of Welders]

Oct. 30, 1941.

Over Phone 3:00 P. M.

DAVE BASOR, KARL V. MORRIS

% United Weldors, V. F. W. Hall, Slanson and Broadway,

Los Angeles, California:

I have given careful consideration to the points dealt with in your telegram of this date. These matters necessarily are subject for discussion with the representatives of the respective unions involved. Meanwhile I most strongly urge the weldors to return to work so that I may have a reasonable opportunity to convene a conference promptly of the representatives of the various interested organizations as well as of yourselves to explore basis for solution of this problem. Obviously such conference is not feasible while the weldors remain on strike. Therefore, in the interests of national defense and of a speedy solution of this problem, I urge again that the weldors return to work immediately.

(Signed) SIDNEY HILLMAN.

EXHIBIT No. 222

[Submitted by United Brotherhood of Welders]

NOVEMBER 14, 1941.

Hon. SIDNEY HILLMAN,

Associate Director General, Office of Production Management,

Washington, D. C.

DEAR MR. HILLMAN: At the request of the representatives of the weldors and cutters and their helpers of this country, we have been instructed to convey the following message to you.

Ten days ago there were thousands of welders and cutters and their helpers on the West Coast and thousands in the Southern area and in gulf ports, mostly engaged in defense industries, either out on strike or locked-out from their work, and a general strike of welders on the East Coast and throughout the rest of the country was threatened within twenty-four hours.

These strikes and lock-outs were due to the fact that for over twenty years these highly skilled and trained craftsmen had been denied the right accorded all other craftsmen to bargain collectively through representatives of their own free choice—a right long recognized by common law and judicial decision in the United States, and for the past four years guaranteed by the National Labor Relations Act. This right, to bargain collectively through representatives freely chosen by themselves, has been consistently and deliberately denied to welders, not alone by some employers but by the two major national unions in this country, and primarily and especially by the American Federation of Labor, which, year after year, has not only persistently refused to issue to welders a charter of their own in the family of all the other large number of A. F. of L. craft organizations, but has refused to permit its members to work alongside of and with welders who have refused to join the A. F. of L. or who have attempted to organize their own independent unions.

In addition, these highly skilled men have been required, as they proceed on their jobs from one type of metal work to another, to actually purchase from each of the various constituents of the American Federation of Labor the separate right to work. For instance, on a construction job, a welder is forced to join first a Structural Iron Workers' Union, then a Steamfitters' Union, a Boilermakers' Union, a Machinists' Union, a Pipefitters' Union, and a Blacksmiths' Union, and, in some instances, even to join and belong to a Hodecarriers' Union and a Carpenters' Union.

Nor say a welder fail to pay regularly his monthly dues in any of these unions, lest he be required, at any time, to pay a penalty fee for reinstatement of \$100.00 or more and a delinquent penalty of six per cent of his weekly wage. While the various A. F. of L. crafts union may move in and out of any particular job without difficulty or expense, if the welder stays on the job, he is required to join and pay dues in every A. F. of L. union with which he works on the job.

As a result of all this, in order to practice his trade, a welder must pay initiation fees in and dues to a large number of A. F. of L. unions, at a substantial yearly cost to him, in many instances, of as much as anywhere from \$500.00 to \$1,000.00.

While this requirement of belonging to a multiplicity of unions is the most grievous discrimination practiced against the welders of this country, it is far from being the only one, and is merely illustrative.

The refusal to permit welders to form their own organization or to become a constituent craft in the A. F. of L. craft organization, has for many years prevented the welders from inaugurating and consummating changes in procedure, rotation of work programs, safety measures and efficiency devices which would have proved helpful not only to the welders themselves but to the industries which have employed them. For instance, the Federal Government, State Governments and insurance companies have deemed it essential, for the protection of lives and property, that welders prove, through highly technical examinations and tests, that they are skilled, trained, and efficient before they are permitted to go to work on jobs that are waiting for them.

However, there is no permanent central bureau empowered or authorized to conduct such examinations; and, therefore, each time a welder's services are no longer needed on a particular job and he is required to find another employment, and even though he is to do the identical work he has just finished, he is again required to take the same lengthy examination and test before he can go to work. Each such examination costs each employer a fee of approximately \$50.00, and each examination requires from several hours to several days, which means that both the employer and the employee are forced to lose substantial time and money when important work is at hand. With the recognition of a national welders organization, this burden upon employer and employee would be eliminated, and a saving of anywhere from fifteen to thirty percent in time and expense would be effected.

In an effort to assist national defense and to avoid the spreading of the welder's strike throughout the United States, the representatives of the welders, cutters, and their helpers, met with you on November 5. You then persuaded them to agree to send all striking and locked-out welders back to work, pending a conference to be called by you for Monday, November 17, to be between representa-

tives of the major national unions, your department and ourselves, upon certain representations and guarantees which you made. Those representations and guarantees were (a) that all welders returning to work immediately would be promptly reinstated in their former jobs or positions without discrimination or interference; (b) that the Office of Production Management would protect them in this right; (c) that all parties would be called upon by you to refrain from any acts of intimidation or coercion against these welders pending the holding of the conference and its outcome, and (d) that you would personally appeal to all employers in non-defense industries to cooperate by reinstating to their former jobs any workers who may have walked out in support of the welders.

When they questioned your ability to carry out your promises, and questioned the willingness of the American Federation of Labor to abide by and carry out your representations and guarantees, you assured them not only that you were able to make the guarantees, but to fulfill them, and you told them that you already had sufficient promises of cooperation from labor leaders and employers to assure the fulfillment of all the obligations you were undertaking.

Upon the basis of these representations and guarantees, and of your assurances that they would be carried out, they immediately, from your very office, sent word broadcast throughout the nation to all welders to return to their work at once. They carried out their part of these obligations completely both in letter and in spirit. The welders themselves not only immediately returned to work, but in doing so removed the buttons from their lapels showing their membership in the different organizations in order to avoid antagonizing their fellow workers and to show their good faith.

On the other hand, all the promises and guarantees which you made to these men have been flagrantly and wantonly disregarded and violated. Since November 5, the day of their agreement with you, they have been giving you daily reports of instances where welders who were returning to work were being physically attacked, discriminated against, threatened, intimidated, and refused an opportunity to return to their former employment. Not only are these gross violations of the agreement still continuing, but as the hour for the proposed conference approaches, instead of this persecution diminishing, it is in fact increasing both in amount and in severity.

Without attempting to enumerate the hundreds of instances, the following serve to illustrate what is today occurring to the welders of this country:

At Childersburg, Alabama, approximately two hundred welders have been and still are being refused reinstatement at the powder plant being erected for the du Pont Company.

At the Lister Hill plant of the Reynolds Metal Company at Sheffield, Alabama, a large number of men have been and still are being denied reinstatement to their former work.

At the T. V. A. Dam project, also at Sheffield, Alabama, a number of men have been and still are being denied reinstatement to their former work.

Throughout what is known as the Birmingham, Alabama, area hundreds of welders who have applied for reinstatement have been and still are being refused reinstatement at their former jobs, including work for the Ordnance Department of the United States Army. In other cases in this area men have been discriminated against, threatened, intimidated, coerced, and bribed into giving up their welders' affiliation.

In Seattle, Washington, over two hundred men have been and still are refused reinstatement in the shipyards.

A similar situation exists both in the Los Angeles area and in the San Francisco area.

They have just received word that at the Western Pipe & Steel Company, a corporation engaged in defense shipbuilding, a number of welders have just been locked out, in an obvious attempt to force the welders in that area to go out on strike.

Likewise, they received notification today, that at the Salt Lake City arms plant, the Boilermakers' Union of the A. F. of L. has refused to permit welders to work with them because those welders were affiliated with our organization.

At Morgantown, West Virginia, in the Pittsburgh area, Thursday night the welders held an open meeting to discuss their problems, and as a result were notified by the A. F. of L. representative that their membership in the various A. F. of L. unions had been suspended and their union cards revoked.

Physical attacks have occurred in various parts of the country, and at the California Shipbuilding Corporation, and other places, welders have been maltreated and beaten.

Representatives of the welders who attended the meeting with you and your associates had a great responsibility to the people of this country, to the Government, and to these thousands of welders. They have carried out all of their responsibilities in every respect to everyone. The welders whom they represent have carried out their obligations in every respect. Up to the present time the only people who have not carried out their guarantees and obligations have been the A. F. of L. and your office.

Indeed, it has been the very policy of forcing upon workers the requirement of working under closed-shop agreements, established by your department, which gave rise to the present difficulty, and now affords the screen behind which the A. F. of L. is carrying on its discriminations and persecutions. And, this policy is in direct conflict with the announced policy of the President that no Government agency will ever impose a closed shop upon unwilling workers.

Under these circumstances, the representatives of the welders believe it would be unconscionable and ridiculous for them to attend any such conference as you had in mind, based upon a truce and an armistice, the terms of which they have strictly carried out, but which the A. F. of L. has totally disregarded, and which you have permitted it to disregard. If they attended such a conference, they would be breaking faith with the thousands of men whom they represent and to whom you promised complete return of their jobs without discrimination, interference, intimidation, or coercion. This is particularly so in the light of your promise and your assurance that none of these abuses and persecutions would occur, and your subsequent unwillingness or inability to carry out those promises and assurances.

While these outrageous conditions still exist, the representatives of the welders of this country will not take part in any conference. They will continue their struggle, however, to be able to work without paying tribute, and to be able to bargain collectively through representatives of their own free choice under the guarantees of the National Labor Relations Act.

Since it is obvious that your office is either unable or unwilling to control the present situation, as you guaranteed, the welders of this country hereby notify you that they will find other ways and means of establishing their rights.

Very truly yours,

LEONARD WEINBERG,
(For Weinberg and Green.)
HEBER JAMES BROWN,
JACK P. F. GREMILLION,

Of Counsel for

United Welders, Cutters and Helpers of America, National Brotherhood of Welders and Burners of America, National Union of Welding Operators, Welders' International Association, A. F. of L. Councils of Welders and Burners, and other independent welders.

EXHIBIT No. 223

OFFICE OF PRODUCTION MANAGEMENT,
SOCIAL SECURITY BUILDING,
Washington, D. C., November 5, 1941.

Sidney Hillman, Associate Director General of the Office of Production Management today announced that a committee representing a group of unions of welders and cutters had agreed to call upon their members now on strike and sympathetic strikers to return to work immediately. The committee was headed by Karl V. Morris, president of the United Welders, Cutters and Helpers of America.

Mr. Hillman informed the committee that upon the return to work of these men he would convene as promptly as possible a conference of representatives of the welders' organizations, representatives of other interested labor organizations and representatives of the Office of Production Management.

This conference will hear such complaints as the welders and cutters may bring before it, and will seek to arrive at a speedy solution of the disputes between the various interested parties for the purpose of preventing further work stoppages.

Mr. Hillman informed the welders' representatives that all strikers returning to work immediately would be promptly reinstated in their former jobs or positions without discrimination or interference; that the Office of Production Management would protect the workers in this right; and that all parties would be called upon to refrain from any intimidation or coercion against these workers pending the holding of the conference and its outcome.

Mr. Hillman announced that he would appeal to employers in nondefense industries to cooperate by reinstating to their former jobs any workers who may have walked out in support of other welders.

Representatives of the various independent unions of welders, helpers, and cutters who met with Mr. Hillman were Karl V. Morris, Los Angeles, president of the United Welders, Cutters, and Helpers of America; Dave Basor, Seattle-Tacoma Council of Welders and Burners; Charles A. Smet, Baton Rouge, La., president, National Brotherhood of Welders and Burners of America; Lloyd Payne, Norfolk, Va., and S. T. Gordon, New York, vice-presidents and East Coast representatives; Z. C. Whitlock, Norfolk, Va.; and Leonard Weinberg of the law firm of Weinberg and Green, Baltimore, of counsel.

SIDNEY HILLMAN,
Associate Director General.

DEAR MR. HILLMAN: We acknowledge receipt of your last telegram at 5:45 a. m. and agree that it correctly states the arrangement between us and we hereby call upon all welders, cutters, and burners and helpers and others who walked out in support of them to promptly report directly to their former jobs in accordance with the agreement just reached.

KARL V. MORRIS,
DAVE BASOR,
CHAS. A. SMET,
LLOYD PAYNE,
LEONARD WEINBERG.

EXHIBIT No. 224

[Submitted by United Brotherhood of Welders]

TO ALL WELDERS, CUTTERS, BURNERS

NOVEMBER 12, 1941.

DEAR BROTHERS: Enclosed with this letter is a copy of the agreement reached between your committee and the Office of Production Management to bring to a head a conference, the outcome of which we hope will be an independent welders' organization.

In accordance with the agreement and while the actual conference is going on, it is understood that the men are to return directly to their jobs without going through any union hiring hall whatsoever. It is also understood that they do not need to pay to any union any money, either form of dues, initiation fees, or assessments unless they so desire.

The letter of agreement also provides that there will be no organizing of welders during this period of negotiation. While this may seem to you as a little unfair, in view of your desire of an international of your own, at the same time we must be fair with the opposition if we expect the opposition to be fair with us. but you must be very explicit on the subject that the welders, cutters, burners, fore, in putting your men back to work you will call them either individual or if you wish to have a meeting to tell them to go back to work, it is permissible but you must be very explicit on the subject that the welders, cutters, burners, and helpers and their sympathizers who walked out with them, are to return to work at once by reporting directly to the job which they had prior to the strike or lock out. You, of course, have the privilege of obtaining any and all information of conditions wherein welders have been fleeced for initiation fees, permits, dues or have been forced to carry more than one card.

In any event, where a controversy arises, take down the full detail and report it to Paul Porter, of the O. P. M., Washington, D. C. He has been given explicit instructions by Hillman through the Office of Production Management, to see to it that no action, other than the agreed action, included is used in connection with the workers, burners, and helpers. Please do your level best to keep your side as clean as possible, live up to these rules and we ask that you also ask

the men to make up as much of the lost production as possible. In doing so, this will benefit our case. Remember that you are at all times to weld anything and all things—just get the welding done.

Respectfully yours,

YOUR NEGOTIATION COMMITTEE,

Washington, D. C.

This letter was submitted to me November 5, and approved by me. Signed:
Paul R. Porter, O. P. M.

EXHIBIT No. 225

[Submitted by United Brotherhood of Welders]

[Telegram]

LABOR DIVISION, OFFICE OF HERBERT HARRIS.

November 13, 1941.

JOSEPH J. GREEN,

Stratford Hotel, Seattle, Washington:

O. P. M. understands that welders who were working at time strike ended will retain jobs inasmuch as laying them off would be discrimination against them. O. P. M. further understands that striking welders not yet employed because their job was completed or for other reasons have employment preference before any new welders are hired.

PAUL R. PORTER,

Special Labor Adviser.

I have read the above and am in full approval with its provisions.

JOHN P. FREY,

I have read the above and am in full approval with its provisions.

DAVE BASOR.

EXHIBIT No. 226

[Submitted by United Brotherhood of Welders]

[Telegram]

From Office of Production Management

Division Office of Production Management

NOVEMBER 17, 1941.

Mr. LEONARD WEINBERG: The underlying issue is that of national defense and none other. Interruptions of production of essential defense commodities interfere with and impede national defense. The conferences are designed to deal with these problems. Those who would counsel against participation in conferences which are designed to resolve disputes around the conference table carry the responsibility of interfering with the defense program.

I am convinced that the welders are loyal Americans and have no desire to impede the Nation's defense in this critical emergency. I am confident, therefore, that they prefer the conference-table method for the adjudication of their disputes.

All the presidents of the interested organizations have been meeting with me during the day and they are now engaged in an effort to eliminate grievances which the welders may have. They have expressed a desire and eagerness to cooperate with the national defense program.

SIDNEY HILLMAN,

Associate Director General, Office of Production Management.

I hereby certify that this is official business.

EXHIBIT No. 227

[Submitted by United Brotherhood of Welders]

[Telegram]

From Office of Production Management,
Division: Labor Division, Sidney Hillman.

Copy to: Dave Basor, Karl Morris, Charles Smet, and Lloyd Payne.

WASHINGTON, D. C., November 17, 1941.

Mr. LEONARD WEINBERG,

Weinberg and Green, Attorneys,

3300 Baltimore Trust Building, Baltimore, Maryland:

I am in receipt this morning of your letter of November 14, in which you and others, as counsel for a group of welders' organizations, state that welders' representatives will refuse to participate in a conference called by the Office of Production Management for the purpose of exploring effective ways and means of insuring uninterrupted work on national-defense projects on which welders are employed.

I take note of the fact that you cite certain cases of discrimination allegedly practiced against some welders as justification for the statement of a refusal to participate in this conference. May I point out that one of these cases is called to our attention for the first time in your letter. The other alleged discriminations were promptly acted upon by this office. These complaints are specifically denied and contradicted by the organizations charged with the alleged discrimination. The proper place of ascertaining the facts concerning these charges and denials is at the conference which began today. May I remind you that the conference was convened for the specific purpose of (a) hearing and inquiring into any complaints that the welders might bring against any other labor organizations; and (b) seeking a speedy solution of the disputes between the various interested parties for the purpose of preventing further work stoppages.

EXHIBIT No. 228

[Submitted by United Brotherhood of Welders]

NOVEMBER 17, 1941.

Mr. DAVID BASOR: In response to your inquiry concerning the agenda for the conference called to consider complaints made by the organizations of welders against other labor organizations, I wish to state the following:

(1) The purposes of this conference, as stated in a public statement issued by Mr. Sidney Hillman on November 5 are:

(A) To hear and inquire into any complaints the welders may bring against any other labor organizations.

(B) To seek a speedy solution of the disputes between the various interested parties for the purpose of preventing further work stoppages.

(2) The obvious procedure is for the authorized representatives of the welders to submit their complaints and recommendations in whatever way they desire to present them.

(3) Confirming my statement to you Saturday, November 15th, the conference is prepared to meet in sections if desired; that is, representatives of the welders may meet in one section to present the matters they wish to bring before the conference and the representatives of the A. F. of L. organizations, against which the complaints are made, may likewise meet separately if they desire. It is natural to assume that at some stage in the conference, both parties may desire a joint meeting or a meeting of a joint committee of the two groups. The Office of Production Management does not suggest either the number or the personnel comprising these committees but leaves that matter to be determined by the interested parties themselves.

Sincerely yours,

PAUL R. PORTER,
Special Labor Advisor.

EXHIBIT No. 229

[Submitted by United Brotherhood of Welders]

1919 C St. NE., WASHINGTON, D. C.,

November 17, 1941.

Honorable SIDNEY HILLMAN,

*Associate Director General, Office of Production Management,
Washington, D. C.*

DEAR MR. HILLMAN: We acknowledge receipt of your telegram of November 17, 1941, addressed to Leonard Weinberg, which was in response to our suggestion contained in our letter of November 14, 1941.

You will recall that our letter called upon you to investigate and rectify discriminations which included violence and intimidations against weldors throughout the nation, after your issuance against such actions as contained in our agreement of August 5.

Our letter pointed out the uselessness of conferences until these past discriminations were corrected and steps taken to guarantee against future discriminations.

We are gratified to observe that your telegram of November 17, together with the letter of Paul R. Porter of November 17, places the matter of considering and disposing of such discriminations before any other item, our conference.

We agree with you, as Americans and citizens, that national defense is of paramount importance. Our attitude has been demonstrated by weldors everywhere returning to work upon the mere request of the Government, whom you represent. National defense is retarded not by weldors but by those discriminating against weldors in refusing to allow them to work.

Accordingly, a delegation of representative weldors will be present at the Office of Production Management on November 18 to offer evidences of discriminations referred to in previous communications to you.

When this first stage of the conference is completed satisfactorily, we will then be happy to proceed to the next agreements logically appearing on the agenda.

LEONARD WEINBERG,

Of counsel.

KARL V. MORRIS.

DAVID BASOR.

LLOYD PAYNE.

C. A. SMET.

EXHIBIT No. 230

[Submitted by United Brotherhood of Welders]

NOVEMBER 19, 1941.

Mr. SIDNEY HILLMAN,

*Associate Director General, Office of Production Management,
Washington, D. C.*

DEAR SIR: We have been asked by Commander Keller to present to you the following:

We refused to attend the conference scheduled by the Office of Production Management on November 17, 1941, due to the failure of the American Federation of Labor and of the Office of Production Management to fulfill their obligations under the agreement signed by yourself on November 5. The reasons for our refusal were outlined to you in our letter of November 14.

At your suggestion, contained in your telegram of November 17, and in the interest of national defense, the weldors and their representatives have met with representatives of your office in a separate meeting to present their cases of discrimination, intimidation, and coercion. We submitted a large number of these cases of discrimination, and those which were reported back this morning only proved again to us that the Office of Production Management is powerless to act, and that the American Federation of Labor is screening behind technical and flimsy excuses to continue its acts of intimidation and discrimination.

We are desirous of successfully concluding this conference, but it is utterly impossible to attempt to do so while these men are still out of work and without means of livelihood in direct violation of the agreement.

We suggest, therefore, in justification to the welders of this country and the good faith which they have shown, and that the public may be shown the good faith and desire of the welders to continue in the national defense in keeping their agreement with the Office of Production Management and the American Federation of Labor—which good faith on the part of the welders and their representatives has been voluntarily stated by the Office of Production Management in the meeting this morning—that you publicly, through the press, call upon the alleged “responsible leaders” of the American Federation of Labor to demonstrate their good faith, and willingness to abide by the spirit of the agreement, by allowing the welders to return to work.

Respectfully submitted.

COMMITTEE FROM CONFERENCE REQUESTED BY CHAIRMAN.

EXHIBIT No. 231

[Submitted by United Brotherhood of Welders]

For immediate release to the press.

UNITED BROTHERHOODS, WELDERS, CUTTERS, AND HELPERS OF AMERICA,

602 Fifth Street NW., Washington, D. C., November 26, 1941.

SIDNEY HILLMAN, Esq.,

Associate Director General, Office of Production Management,

Washington, D. C.

DEAR MR. HILLMAN: We have received the proposal that we compose our differences with the A. F. of L. and with your Department by having weldors accept what is known as a “universal card” in the A. F. of L., which card would be issued, as we understand it, to weldors working in shipyards, and which would entitle those weldors to engage in any welding work of any kind in the shipyards, provided they had joined some one A. F. of L. union and held the card of that union.

There is nothing new in this proposal, nor does it in any way obviate or overcome the discriminations and abuses to which the weldors have been and are now being subjected, nor will it rectify and eliminate the many grievances which have been brought to your attention.

In the first place, the proposal refers to weldors working in shipyards only, leaving entirely out of consideration all the thousands of weldors who are employed in structural work, in building trades, and in all the other industries and businesses throughout this country.

Secondly, the issuance of such a card will still leave the weldors at the mercy of all the various local unions, their business agents and employment offices.

What the weldors of this country are demanding, and what they are entitled to have, and what your Office and the government itself ought to see that they promptly get, is the right to bargain collectively with their employers, through representatives of their own free choice. They do not choose to be represented by the American Federation of Labor or the Congress of Industrial Organizations. They are at present organized in a number of weldors' unions which have been amalgamated into or are affiliated with the United Brotherhoods, Weldors, Cutters, and Helpers of America. These are the representatives they have chosen. This is the union to which they wish to belong, and this is the union which they wish to have speak and negotiate for them.

The immediate recognition of the fact that welding is a trade in itself and the holding of consent elections under the auspices of the National Labor Relations Board is the only effective way in which the rights of these men can be guaranteed and protected. Unless the Office of Production Management is prepared and willing and able to secure these rights to the weldors of this country, that office is incapable of assisting in any way in the solution of the problem that is now facing American industry and the government itself.

At your request, and on your promise that all discriminations, abuses, intimidation and coercion of weldors would immediately cease, on November 5, we requested the weldors of this country who were on strike to return to their work, and they immediately did so. As we have repeatedly reported to you since then, many of those returning to work have been refused work or have been prevented from returning to their work, and have been and still are being subjected to all kinds of discrimination, abuse, and intimidation. In the meantime, representa-

tives of these men have been gathered in Washington since November 5 at great expense to themselves and to the men they represent, waiting for some action to be taken by the Government that would secure their rights for them and insure the maintenance of those rights. The proposal you submit does neither of these things. Therefore, in the interests of National Defense and perfect harmony among the workers of this country and in justice' name, we, the representatives of the Weldors, Cutters and Helpers of America, petition you and all the powers and influence of your good offices to obtain agreements from the American Federation of Labor, Metal Trades and Building Trades departments and all other American Federation of Labor agencies that might be involved and the Congress of Industrial Organizations authorizing the National Labor Relations Board to call a consent election for Weldors, Cutters, and their Helpers in all or at all places where welders, cutters, and their helpers are employed for the purpose of "choosing the union of their own choosing."

Very truly yours,

UNITED BROTHERHOODS, WELDORS,
CUTTERS, & HELPERS OF AMERICA,
By (s) LLOYD PAYNE, *Secretary-Treasurer.*
(s) KARL V. MORRIS, *Trustee.*
(s) CHAS. A. SMET, *Trustee.*
(s) PETER A. TARNOISKY, *Trustee.*
(s) C. CARDNO, *Temporary Chairman.*

EXHIBIT No. 232

[Submitted by United Brotherhood of Welders]

(C)

Serial 21494

(CSF-Ry

From: Commandant, Thirteenth Naval District (Commandant, Puget Sound Navy Yard).

To: The Secretary of the Navy.

Subject: Puget Sound Navy Yard Welders' Request for Navy Department's Good Offices in Securing the setting aside of the Wilson Award.

Inclosure: (a) Yard Welders' Resolution of October 5, 1941, contained in letter addressed to Yard Manager, Puget Sound Navy Yard.

(b) Letter of October 6, 1941, addressed to Yard Manager, Puget Sound Navy Yard, transmitting Inclosure (c).

(c) Letter of October 6, 1941, of Mr. Dave Basor to Mr. Pete Shea, setting forth status of welding under Wilson Award and its adverse effect on National Defense Work.

1. Last week the press reported that the welders of Seattle and Tacoma intended quitting work on Monday, October sixth, upon the opening of the American Federation of Labor national convention in Seattle. The "strike" had for its purpose the picketing of the convention with a view to forcing action on what purports to be a nation-wide demand for a setting aside of the so-called Wilson Award and the recognition by the A. F. of L. of the welders as craft members, entitled to a union of their own.

2. Because many welders throughout the country belong to an organization (not a union) known as "The United Welders, Cutters, and Helpers of America," and because a "local" of this organization is made up largely, if not entirely, of Puget Sound Navy Yard welders, and finally because Mr. Dave Basor, a leading member of this organization, was the principal leader in the proposed "strike," the welders of the Puget Sound Navy Yard, under the leadership of Mr. Pete Shea, a yard employee, decided on Friday, October third, to join the Seattle and Tacoma welders in their demonstration before the A. F. of L. convention. The yard was notified of this intention by letter the following forenoon—Saturday.

3. The commandant thereupon sent for Messrs. G. L. Kaseburg and C. P. Ager, the two Yard welders who had signed the letter of notification to the yard, and explained at length the serious consequences that would follow a mass quitting of yard work on the part of civil service employees of the Government, pointing

out to them the distinction between the contemplated "strike" of the Seattle and Tacoma welders and the stoppage of work Government workers. Mr. Kassburg and Mr. Ager indicated their willingness to transmit the Commandant's comment to the welders, if a meeting could be arranged. Later they returned with Mr. Pete Shea, the leader of their "local," and, as a result of the ensuing conference, it was agreed that a further meeting of yard welders would be held the following day—Sunday, to which, at the request of Mr. Shea, the Commandant agreed to send a representative to lay before the assembled welders the yard point of view. Captain A. M. Charlton, U. S. Navy, the Yard Manager, was the representative chosen, and he ably presented the Commandant's views.

4. Meanwhile the Commandant saw Mr. Hillman of the Office of Production Management on Saturday evening and learned that he was sending a letter to the persons concerned in the welders' difficulty in Seattle and Tacoma. The net result of all of these related efforts eventuated in a deferment of the proposed action of the Seattle and Tacoma welders and an abandonment of the intent of the yard welders to stop work. The yard welders, through their representatives, state they have no complaint of work conditions in the yard. Their action is wholly one of sympathy with the outside welders.

5. The Commandant reports the above incidents merely as a preface to the submission herewith of the listed inclosures. The matter at issue is much more serious and far-reaching than is indicated by what superficially presents itself as only another averted "strike." All who have been in a position to note the growing importance of welding for the past quarter of a century are fully aware that the so-called Wilson Award, made in the light of conditions of twenty and more years ago, in no manner reflects or responds to conditions today. Nevertheless, it carries the full weight of a governmental decision in respect to labor relations and is being used by the American Federation of Labor, the Metal Trades Council, and the strong unions generally to defeat the demands of the great body of welders.

6. As pointed out above, the welders of the Naval Establishment have no fundamental grievance as to their working status under the Navy Department. It might therefore be held that the Navy Department is not officially concerned with issue raised by the outside welders, which resolves itself essentially into a demand that welding be recognized as a craft. However, the Navy Department is deeply concerned in whether outside welders shall continue their work in the country's shipyards. A general strike of welders would cripple the shipbuilding as long as it lasted.

7. While it is wholly true that welding of a sort can be relatively quickly taught compared with the time it takes to produce a machinist or a shipfitter, it is likewise true that welding cannot be taught overnight. It takes months to produce a competent welder, nor can men for training be obtained without great difficulty.

8. Under present conditions, as is pointed out in the inclosures, a welder in a shipyard is exposed to labor exploitation of a wholly indefensible character. His time and money placed at the mercy of endless jurisdictional cleavages, a "machinist" welder may not work on an "electrical" or a "shipfitter" welding job without paying a permit fee, and so on throughout the amazing number of trades involving welding. There are welders in and out of more than a hundred and fifty unions, and yet there is no recognized labor organization of welders in the A. F. of L. The Wilson Award, formulated when the widespread importance of welding and its varied ramifications were not visualized, likened welding to a tool of a trade. This analogy today is entirely inapplicable. Welding is a craft that engages the skill of a very numerous body of industrial workers. If these workers are not to be had or if they stop work, the whole of industry suffers. Their right to organize and to bargain as a united whole should not be contravened by a stipulation that requires them to split into scores of unrelated groups.

9. In the interest of unimpeded work in behalf of national defense, it is strongly recommended that the Navy Department take such steps as will insure a full and exhaustive review of the Wilson Award, in the light of current conditions relating to welding, cutting, and burning, with the objective of satisfying the reasonable demands of the great body of welders now engaged in shipbuilding and associated industries throughout the country. The inclosures herewith sufficiently set forth the matters at issue. It is earnestly requested that they be given most thorough and informed attention. The Commandant is deeply concerned over the implications of this narrowly averted welders "strike" here in the Northwest, and the unrest it provoked among the Navy

Yard welders. He feels that it was only averted because the outside welders, long sensing their strength, are content to wait a little longer for the recognition they consider their due. He feels strongly that they will not continue to wait long; that their delay at present is, as they themselves assert, only temporary. If they "strike," further unrest among the Navy Yard welders is bound to follow, because of their full sympathy with the outside welders. The whole situation calls for prompt, intelligent and independent action upon the part of the Department, uninfluenced by the old line leaders of the American Federation of Labor, who have consistently invoked the Wilson Award, which insures welders' dues and permit fees in some one hundred and fifty-seven unions, as the final arbiter in all welders' disputes. There is nothing definite about the Wilson Award. It met—not too well—the situation of twenty years or more ago. It does not meet the realities of today.

C. S. FREEMAN.

EXHIBIT No. 233

[Submitted by United Brotherhood of Welders]

NOVEMBER 28, 1941.

To all locals:

A copy of the following telegram has been sent to all industries. It was signed by Sidney Hillman.

"A conference called by Office of Production Management to seek adjustment of Welders' complaints, A. F. of L. Metal Trades Unions agreed, in a statement of general policy, to provide flexibility in welder work in all shipyards in the interests of improved production, to make it unnecessary for any welder to carry more than one union card, to give full hearing to all complaints from welders. It was further agreed that the practical application of this policy would be worked out in conferences between employers and A. F. of L. unions concerned. Upon advice of John P. Frey, President Metal Trades Department A. F. of L. the Office of Production Management is calling conferences for above stated purposes between employers and local metal trades councils in Los Angeles, San Francisco, Portland, and Seattle-Tacoma. Los Angeles Area conference will convene Monday 2 P. M. at Los Angeles office of OPM. Other conferences to follow as rapidly as possible. Until completion of these local conferences, which are a continuation of Washington conferences on welders, Office of Production Management advises maintenance of status quo to avoid any further work interruption. OPM will be represented at these local conferences by G. M. Keller and Paul R. Porter."

THE WASHINGTON COMMITTEE, THE U. B. W. & H. of A.

EXHIBIT No. 234

[Submitted by United Brotherhood of Welders]

629 ST. HELENS AVENUE, TACOMA, WASHINGTON,
December 30, 1940.

Mr. J. A. FRANKLIN,

*President, International Brotherhood Boilermakers, Iron
Shipbuilders & Helpers,
Brotherhood Block, Kansas City, Kansas.*

DEAR SIR: A letter from you, addressed to me, arrived the day following receipt of the copies sent to the Secretary of Lodge #568. It was embarrassing to be told that I had received the original because they had received their copies. That may have been intended.

It is said there are two sides to every Question and fair judgment requires that both sides be heard. I have never had the privilege to receive any other than your communication bearing date Dec. 14, 1940, which states that I am suspended as of that date. The immediate effect of this action is that I am thrown out of my job, humiliated, and embarrassed without any kind of hearing whatsoever prior to your action of said date.

I have read a great deal of matter regarding the Weldors whom I had the honor to represent for a number of years in California. Letters written over the signature of Officials of your Organization, the Metal Trades Department of the American Federation of Labor and the American Federation of Labor's own Secretary, Mr. Frank Morrison, now retired. All on the subject of Weldors.

I am familiar with the Wilson Award and the signatories thereto. I am familiar with the subject matter of the rehearing before that Board of 1918.

It has been my interest to read a great deal of Labor History both National and International.

I am a citizen of the United States of America and a member of the Masonic Fraternity. I mention this because I have been accused of being a communist by those who hoped to gain by so accusing me. I am a firm believer in the Trade Union Movement and too I believe it must remain definitely Democratic in its Governmental ADMINISTRATION of Law and Policy.

You can understand from what I have said I am deeply disappointed to receive your letter which deprived me of membership in your Organization and also deprived me of my job in the most humiliating manner.

A trial of my case before a jury of my peers would certainly have been more American than the action taken.

Your letter leaves me thoroughly condemned and punished but quite uninformed of any matter you feel justifies your attitude. I am just a man depending upon a job for a living and it is certainly giving me the works when you by such action deprive me of my means of livelihood then adding insult to injury you say I can appeal to the same body that you say has already been consulted with, and agreed to the sentence imposed. It is more than likely I would be wasting my time and money taking my case back to the same body that has already done me the injustice of condemning me without a hearing yet state no grounds for the condemnation.

I fought for the Weldors while I was employed by them just as you do fight for the Boilermakers for the same reason. That the boilermakers felt our opposition is no more true than other metal trades who have the same right under the attitude of the A. F. of L. as does your Organization. The majority of these men are now members of your Organization.

Do you believe your condemnation of a man that has a reputation of long standing among them will assist you to bring about a better understanding and cooperation on the part of the Weldors? I do not think it will. In fact, I have already had a number of letters in the mail (and I have written none on the subject yet) offering their personal support if I will announce my program.

I want to be allowed to work among my fellows as one of them, realizing as I do the very controversial position the Weldor is in. I know the present does not hold out any very promising prospect of the remedy he wants.

I therefore feel that you who made the decision of which I am complaining is also the one who can recede from that position.

I will await your further correspondence with me in the hope that we may bury the hatchet and find a harmonious platform for our future activities.

I am very sincerely yours,

C. CARDNO.

EXHIBIT No. 235

[Submitted by United Brotherhood of Welders]

[Letterhead of International Brotherhood of Boiler Makers, Iron Ship Builders, and Helpers of America]

KANSAS CITY, KANSAS, *January 6th, 1941.*

Mr. C. CARDNO,
629 St. Helens Avenue, Tacoma, Washington.

DEAR SIR: This will acknowledge receipt of your letter of December 30th and the contents have been noted.

I do not deem it necessary to deal at length with the statements contained in your letter as you know full well that for many years you did everything within

your power to destroy the metal trade crafts who had jurisdiction over welders and you carried on these activities while carrying a withdrawal card from this brotherhood, and in my judgment the exercising of the power vested in the International President in Article 4, Section 1 was fully justified.

Yours very truly,

J. A. FRANKLIN, *International President.*

[Handwritten:] The charge "that for many years you did everything within your power to destroy the Metal Trades Crafts" cannot be sustained. My activities so charged consisted of activities as a member and Business Agent of the Welders Union.

Names of our union 1926-30 Associated Weldors, Burners and Helpers of America; 1930-36 Association of Certified Weldors; 1936-1941 Weldors International Association.

I have been engaged in building a Weldors Union and this he construes as using my powers to destroy the Metal Trades.

EXHIBIT No. 236

[Submitted by United Brotherhood of Welders]

[Letterhead of International Association of Machinists, Hope Lodge No. 79]

SEATTLE, WASHINGTON, *October 31, 1941*

Mr. DAVE BASOR,

c/o Mrs. Dave Basor.

3717 Woodlawn Avenue, Seattle, Washington.

DEAR SIR AND BROTHER: This is to notify you that you have been charged with conduct unbecoming a member of Machinists' Local No. 79. The charges are as follows:

1. For violating your oath of office in refusing to turn over the property of Local No. 1351 when ordered to do so by Grand Lodge Representative Jas. A. Duncan.

2. For promoting a dual organization.

3. For being a "finger man" for a "goon squad" that attacked the Business Representative of Local No. 79, Stephen Barry, and Brother E. M. Weston, of Boiler Makers' Local #104.

Charges were preferred against you by the Executive Board and signed by: Robert Stephens, Ed. P. Beach, A. E. Baines, C. R. Hedges, C. O. Dale, Bill Thompson, Walter Brown, and Henry Hutchinson.

You are hereby notified to appear on Thursday, November 6th, 1941, at 7:30 P. M., Room 109, Labor Temple.

You are entitled, if you so desire, to select any member in good standing of the International Association of Machinists to act as your attorney. Should you fail to appear at the time designated above, the trial will proceed as though you were present as set forth in the Constitution of the International Association of Machinists.

We, therefore, trust that you will be present.

Fraternally yours,

R. E. SQUIER, *Secretary.*

[SEAL]

EXHIBIT No. 237

[Submitted by United Brotherhood of Welders]

QUIT [] CALIFORNIA SHIPBUILDING CORPORATION
 DISCHARGED [X] DISCHARGE—QUIT SLIP
 LAID OFF [] (To the employee)

LOUIS LANYK,
 3526 E. Broadway, Long Beach,
 No. 5953
 Badge number 44990.

Paymaster: Please terminate services of bearer.
 Name of employee: L. L. Lanyk.
 Shift 1. Off 11. Has 3 hours worked today.
 Occupation: Welder. Occup. code: 311. Rate: \$1.12 per hr.
 O. K. for transfer: No.

CALIFORNIA SHIPBUILDING CORPORATION, C. HANSON, Foreman
 Date: 10-27-41.

Advances and deductions				Earnings for this period ending			
Warehouse and toolrooms	<i>Initials</i>			Previous	<i>Hours</i>	<i>Rate</i>	
O. K. tool room office	M. C. B.			Today			
				Totals this			
				period			
				Less advances and deductions			
				Net amount due			
				Time check No. —		Period ending	
Subtotal—other				INSTRUCTIONS TO EMPLOYEE			
State unemployment				Please present original and yellow copies of this form for clearance in the following order:			
insurance				1. To the warehouse and/or tool room for clearance of your safety equipment and/or tools.			
Federal old age				2. To the camp office for clearance of camp charges.			
				3. To the paymaster's office for your time check.			
				4. Sign the pink copy at the payoff window.			
Total advances and deductions				EMPLOYEE MAY REPORT TO THE PERSONNEL OFFICE FOR REASSIGNMENT. PLEASE DO NOT FOLD, SOIL OR WRINKLE THESE FORMS			

Written across face: Talking United Welders to other men.

EXHIBIT No. 238

[Submitted by United Brotherhood of Welders]

PASCAGOULA, MISSISSIPPI, December 1, 1941.

On October 12, 1941, The National Brotherhood of Welders and Burners, Local No. 6, of Pascagoula, Mississippi, were to have a meeting at the City Park at 3 o'clock P. M. The meeting was not held, due to threats of the Boilermakers' Union, A. F. of L.

On Wednesday night, October 15th, another meeting was to be held. This meeting was also postponed at the request of the Sheriff of Jackson County. His request was made because of the strike condition of the Ingalls Shipyard employees prevailing at that time.

On November 25, 1941, the Community House of Pascagoula, Mississippi, was engaged to be used for an open meeting of The National Brotherhood of Welders & Burners, Local No. 6, the rent of the hall being paid in advance, copy of receipt is hereto attached. This meeting was to be held on Sunday, November 30, 1941. Walter Lowery, Jr., Business Agent for the Boilermakers' Union, threatened the members of the National Brotherhood of Welders & Burners Union, and told them that he would see that the meeting was not held. The keys for the Community House were left at a local drugstore for me to call for. When I called for the keys I was informed by one of the clerks that the Chief of Police of the City of Pascagoula had taken the keys into his possession.

When I requested the keys from the Chief, he informed me that neither me, nor anyone else could have them.

I then contacted the Sheriff and he and Mr. Hudson, Highway Patrolman, accompanied me to the Community House where the members were waiting for the meeting to be held. We then went to the home of the Sheriff, where the meeting was held.

JACK SEARCY, Sr.,
Organizer, representing
The National Brotherhood of Welders & Burners.

Sworn to and subscribed to before me this 1st day of December A. D. 1941.

[SEAL]

E. H. BACOT,
Notary Public.

My Commission Expires October 25, 1942.

EXHIBIT No. 239

[Excerpt from The Boilermakers and Iron Ship Builders Journal reporting on Convention of 1930, at which delegates reported no welders were heard.]

WELDING

We recommend that every possible means be taken to maintain welding as a part of our craft and that our officers make every effort to prevent any organization of welders becoming a part of the American Federation of Labor or any of its affiliated departments.

EXHIBIT No. 240

[Submitted by United Brotherhood of Welders]

[Letterhead of International Association of Machinists]

WASHINGTON, D. C., December 19, 1932.

Subject: Organizing Welders, Seattle, Washington.

MR. I. A. SANDVIGEN,

Business Representative, 107 Labor Temple, Seattle, Washington.

DEAR SIR AND BROTHER: I have before me your letter dated December 16, relative to a group of Autogenous Welders who want to become members of Lodge No. 79.

I have read your letter very carefully as well as the clipping attached thereto, and desire to give you the advice you asked for which we are always glad to do.

In order that I make myself as clear as possible and so that you will understand more fully, I desire to make this explanation. When the autogenous welding processes came into existence some eighteen or twenty years ago, the matter assumed rather serious proportions, particularly among the shop crafts in railroad service. Many jurisdictional controversies arose and the railroad shop craft organizations finally decided to ask Secretary of Labor Wilson to select an Arbitration Board before whom the organizations would appear and present their respective claims. This Arbitration Board was created and consisted of John A. Moffit, Charles Bendheim, and Ethelbert Stewart. This Board met in Washington in June 1918, and it so happened that the undersigned was selected to present to this Board the claims and the position of the International Association of Machinists. This Board rendered a decision involving a number of specific points that were presented to them. The following language taken from their report is really the essence of the report:

"With these general principles kept in mind, and with the specific understanding that where 'Oxy-acetylene or other processes are used, each craft shall perform the work which was generally recognized as work belonging to that craft prior to the introduction of such process,' and that introduction of a new process does not give any craft the right to claim an exclusive use of a process or a tool in order to secure for itself the work which it did not formerly perform."

Since the decision of the above mentioned Arbitration Board, the crafts in the railroad industry have gotten along fairly well, although naturally some jurisdictional disputes over this process have arisen. These processes, how-

ever, have been extended to all classes of work and we have had our jurisdictional controversies with the organizations outside of the railroad industry. The Boilermakers and the Blacksmiths Organizations have been two organizations that have continued to insist, wherever they thought it was proper, that these men belong exclusively to their respective organizations.

The Boilermakers' Organization, in their Convention held in Kansas City, in September, 1930, amended their law to change the title of their Organization by inserting therein the word "Welders." In February 1932, the Boilermakers' Organization asked the American Federation of Labor to approve the change in their title and stated that in changing the title they did not desire to take Welders into their Organization except those who were doing Boilermakers work. Frankly, we had our doubts about what would happen if this word was included in their title and President Wharton protested to the A. F. of L. the approving of the change in the wording of their title. The matter now is at a standstill so far as any action on the part of the A. F. of L. although I believe the Boilermakers' are using this word in their title on their stationary and in other ways.

There has sprung up in various parts of the country independent organizations composed of men doing various kinds of autogenous welding. The have not been able to affiliate themselves with the A. F. of L. and in most cases are purely local in character. For instance, there is a group of possibly 100 of these men employed in the B. & O. Railroad shops in Baltimore and the undersigned at one time carried on negotiations with them to bring them into our association which negotiations, however, did not bring any concrete results.

The above is purely explanatory and simply to give you an idea of what has transpired in this case.

My advice to you now is that if you can get these men, I mean the whole 125 or even a majority of them, to come into our Association, you should do that. I suggest that you take them into Lodge No. 79, at least for the present and not give them a Local of their own. If you are able to do this and if out of it comes a controversy with the Boilermakers or any other organization, I believe we will be perfectly frank and willing to turn over to the Boilermakers or any other Organization the men they should have.

[In writing:] This is what the welders does not want.

President Wharton and I came to the conclusion quite some time ago that we were waging a losing fight when we permitted other organizations to take men into their fold and then later try to get them to relinquish them and give to us the men we should have. We are willing to take a chance on taking men into our organization and then parceling out to some one else the men they should have. We think under these circumstances, we occupy a much more favorable position and we do not think there is anything fundamentally wrong in our doing that, particularly when we state our position on being willing to turn over later the men that belong to some other organization. I, therefore, can say that I think you should take these men if you can get them.

Trusting this gives you the information desired, I am, with kindest personal regards and the Season's Greetings.

Fraternally yours,

H. J. CARR,
General Vice President.

HJC: H
ccThorpe

EXHIBIT No. 241

[Submitted by United Brotherhood of Welders]

11/27/41.

DISCRIMINATIONS AFTER WORK STOPPAGE

Name: R. E. Box.
Address: Huron, O.

Plant: Sandusky.
Location: Ohio.
Local: Baton Rouge, La.

Affiliation: Boilermakers, Iron Workers, Steamfitters, 112 Mobile, 600 Mobile, Ala.

Nature of Grievance: Labor organizer for welders in good standing with all dues and was fired by the Steamfitters in Cleveland, Ohio, Local 120.

Sworn to and subscribed before me this 27th day of November 1941.

[SEAL]

R. E. Box,
Notary Public, Erie County, Ohio.

Com. expires 3/6/44.

MARGUERITE GREENE.

EXHIBIT No. 242

[Submitted by United Brotherhood of Welders]

[Letterhead of International Brotherhood of Boiler Makers, Iron Ship Builders, and Helpers of America]

KANSAS CITY, KANSAS,
November 15, 1941.

Mr. LLOYD ROSENQUIST,
Reg. No. 492825, R. R. 1, Box 2303,
Redwood City, California.

DEAR SIR AND BROTHER: This is to advise you that under the authority vested in the International President in Article 4, Section 1, lines ten to fifteen, inclusive, of the International Constitution and By-laws, reading as follows:

"He shall have the direction and supervision of all Subordinate and District Lodges, with power to suspend their individual members or Lodges, when in his judgment it is for the best interest of our International Brotherhood."

that effective this date your membership is suspended.

This is also to advise you that if you are dissatisfied with the foregoing action you have the right of appeal to the International Executive Council, and in the event you should appeal and you are dissatisfied with the action of the Executive Council upon your appeal you will then have the right of appeal from the Executive Council's decision to the International Convention.

Yours fraternally,

[SEAL]

J. A. FRANKLIN, *International President.*

JAF: W.

cc: Jack Kowalski, Secy. L-6.
Wm. E. Walter.

EXHIBIT No. 243

[Submitted by United Brotherhood of Welders]

[Letterhead of International Brotherhood of Boiler Makers, Iron Ship Builders, and Helpers of America]

KANSAS CITY, KANSAS, November 15th, 1941.

Mr. H. H. RAMSELL, Reg. No. 488027.

DEAR SIR AND BROTHER: This is to advise you that under the authority vested in the International President in Article 4, Section 1, lines ten to fifteen inclusive of the International Constitution and Bylaws, reading as follows:

"He shall have the direction and supervision of all Subordinate and District Lodges, with power to suspend their individual members or Lodges, when in his judgment it is for the best interest of our International Brotherhood."

that effective this date your membership is suspended.

This is also to advise that if you are dissatisfied with the foregoing action you have the right of appeal to the International Executive Council and in the event you should appeal and you are dissatisfied with the action of the Executive Council upon your appeal you will then have the right of appeal from the Executive Council's decision to the International Convention.

Yours fraternally,

[SEAL]

J. A. FRANKLIN, *International President.*

JAF:W

cc: Wm. E. Walter, Jack Kowalski, Secy. L-6

[Hand written:] No convention till 1943.

EXHIBIT No. 244

[Submitted by United Brotherhood of Welders]

Nov. 12, 1941.

To Whom it may Concern:

Due to pressure brought to bear against the Vice-Principal, Mr. John Fuhrer, of the JOHN DEWEY VOCATIONAL HIGH SCHOOL by Local #599 of the Marine Pipefitters, of the United Assoc. of Journeymen Plumbers and Steamfitters of the U. S. & Canada, my job as instructor in the National Defense Training School has been held up indefinitely.

D. G. ROKES,

517 So. Mayo Ave., Compton, Calif.

EXHIBIT No. 245

[Submitted by United Brotherhood of Welders]

[Letterhead of International Brotherhood of Boiler Makers, Iron Ship Builders, and Helpers of America]

KANSAS CITY, KANSAS, November 15th, 1941.

Mr. JAMES A. FLETCHER,

Reg. No. 523753,

2566 34th Avenue, San Francisco, Calif.

DEAR SIR AND BROTHER: This is to advise you that under the authority vested in the International President in Article 4, Section 1, lines ten to fifteen inclusive of the International Constitution and By-laws, reading as follows:

"He shall have the direction and supervision of all Subordinate and District Lodges, with power to suspend their individual members or Lodges, when in his judgment it is for the best interest of our International Brotherhood."

that effective this date your membership is suspended.

This is also to advise you that if you are dissatisfied with the foregoing action you have the right of appeal to the International Executive Council, and in the

event you should appeal and you are dissatisfied with the action of the Executive Council upon your appeal you will then have the right of appeal from the Executive Council's decision to the International Convention.

Yours fraternally,
[SEAL]

J. A. FRANKLIN, *International President.*

JAF: W

cc: Jack Kowalski, Secy. L-6
Wm. E. Walter

EXHIBIT No. 246

[Submitted by United Brotherhood of Welders]

[Letterhead of International Brotherhood of Boiler Makers, Iron Ship Builders and Helpers of America]

MARCH 17, 1941.

Subordinate Lodge No. 92

Address of Writer: 7315 S. San Pedro St., Los Angeles, California

DELBERT G. ROKES,

449 E. 118th Place, Los Angeles, Calif.

DEAR SIR AND BROTHER: You are hereby notified to appear before the Executive Board at 7:30 P. M. Tuesday, March 18, 1941. No excuses will be accepted.

Fraternally yours,

E. V. BLACKWELL,
B. A. and Secretary.

EVB: APR

AFL 20798

Special Delivery Registered-Return receipt requested.

[Telegram]

LOS ANGELES, CALIF., Mar. 18, 1941.

DELBERT G. ROKES.

Care Consolidated Steel Co., 1481 Water St.:

You are notified to appear before the executive board 7315 South San Pedro, Los Angeles, tonight 7:30; no excuse.

E. V. BLACKWELL.

EXHIBIT No. 247

[Submitted by United Brotherhood of Welders]

DISCRIMINATIONS AFTER WORK STOPPAGE

COMPLAINT OF

Name: W. M. Smith.

Plant: Ingalls Shipbuilding Corp.

Address: 412 Holly St., Biloxi, Miss.

Location: Pascagoula, Miss.

Welders Affiliation: National Brotherhood of Welders & Burners. Local No. 6.

Affiliation: Independent Union.

Date of Work Stoppage: First time, on or about October 9, 1941; second time, on November 8, 1941.

Nature of grievance: On or about October 9, 1941, as I was entering the yard to go to work, I was stopped by Walter Lowery, Jr., Business Agent of Boiler Makers Union, A. F. of L., and his Secretary-Treasurer, who told me that I would have to buy a card in the Boiler Makers' Union, or I could not go in the yard. As I did not buy a card, I lost a day's work.

On November 8, 1941, as I was entering the yard to go to work, I was again stopped by Walter Lowery, Jr., and his Secretary-Treasurer and several others. They told me that I would have to buy a Boiler Makers' union card, or I couldn't

work, and also threatened me with physical violence against my National Brotherhood of Welders & Burners union card, telling me that I would have to tear it up. They also told me this was the last warning.

On October 13, 1941, I lost four days' work on account of National Brotherhood of Welders & Burners Union activity.

W. M. SMITH.

Sworn to and subscribed to before me, this 24 day of November A. D. 1941.

[SEAL]

E. H. Bocor, *Notary Public*.

My Commission Expires October 25, 1942.

EXHIBIT No. 248

[Submitted by United Brotherhood of Welders]

LOS ANGELES, CALIF., 11/8/41.

Foreman at Consolidated Ship Yard:

I have orders to lay off the men that did not work from 27th of Oct. to Nov. 5th, as soon as they can be replaced or whenever I haven't enough work for them.

This order was issued by F. G. Donahoo at Consolidated Steel Shipyard Dept. at the Craig yard Nov. 6th, 1941.

J. W. McCUTCHEON, *Leaderman*.

EXHIBIT No. 249

[Submitted by United Brotherhood of Welders]

DISCRIMINATIONS FOR WELDER UNION ACTIVITY

Name: Dorsey Lyons.

Affiliation: Independent Union.

Address: 373 Grant Street, Pascagoula, Miss. Plant: Ingalls Shipbuilding Corp.

Welders Affiliation: National Brotherhood of Welders & Burners. Location: Pascagoula, Mississippi.

Local: 6.

Other data: On November 12th, at 5:30 P. M., Walter Lowery, Jr., Business Agent for the Boiler Makers Union, A. F. L., and his Secretary and Treasurer came to my house. Walter Lowery, Jr., accused me of passing out literature and applications and union cards of the National Brotherhood of Welders & Burners union to men in the shipyard while they were at work. This accusation was false, and I so informed Mr. Lowery. Lowery then informed me that I would have to tear up my Welders' Union card or he would keep me from working, by force if necessary. Lowery also forced me to sign a note to collect Boiler Makers' Union dues through the company.

JACK ADAMS.

Sworn to and subscribed to before me, this 24th day of November, A. D. 1941.

[SEAL]

E. H. Bocor, *Notary Public*.

My commission Expires October 25, 1942.

EXHIBIT No. 250

[Submitted by United Brotherhood of Welders]

DISCRIMINATIONS FOR WELDER UNION ACTIVITY

Name: Dorsey Lyons.

Affiliation: Independent Union.

Address: 373 Grant Street, Pascagoula, Miss. Plant: Ingalls Shipbuilding Corp.

Welders Affiliation: National Brotherhood of Welders & Burners. Location: Pascagoula, Miss.

Local: No. 6.

Other data: On November 12, 1941, I went to the office of the Boiler Makers' Business Agent, A. F. of L., to join the Boiler Makers' Union. Walter Lowery, Jr., Business Agent of the Boiler Makers' Union, was in the office. Lowery ac-

cused me of organizing an independent welders' union, which I denied, this accusation being false. Lowery then attacked me in the office, but the fight was separated. The same day Lowery ordered a strike because of Welders' Independent union activities.

DORSEY E. LYONS.

Sworn to and subscribed to before me, this 24th day of November, A. D. 1941.

[SEAL]

E. H. Bocot, *Notary Public*.

My commission Expires October 25, 1942.

EXHIBIT No. 251

[Submitted by United Brotherhood of Welders]

DISCRIMINATIONS AFTER WORK STOPPAGE

COMPLAINT OF J. L. MEYER

Name: J. L. Meyer.

Plant: Ingalls Shipbuilding Corp.

Address: 129 Washington, Biloxi, Miss.

Location: Pascagoula, Miss.

Local: No. 6.

Welders Affiliation: National Brotherhood of Welders & Burners.

Affiliation: Independent Union.

Nature of grievance: On or about October 9, 1941, as I was entering the yard to go to work, I was stopped by Walter Lowery, Jr., Business Agent of Boiler Makers Union, A. F. of L., and his Secretary-Treasurer, who told me that I would have to buy a card in the Boiler Makers' Union, or I could not go in the yard. As I did not buy a card, I lost a day's work.

On Sunday, October 12th, Walter Lowery, Jr., threatened all men connected with the Welders' Union, and ordered a strike standing on the street, for the morning of October 13th, on account of the Welders' Union. I lost four days' work because of the strike, and I have been threatened with physical violence several times since those dates.

Lowery also forced me to sign a note to collect Boiler Makers' Union dues through the Company.

J. L. MEYER.

Sworn to and subscribed to before me this 24th day of November, A. D. 1941.

[SEAL]

E. H. Bocot, *Notary Public*.

My Commission Expires October 25, 1942.

EXHIBIT No. 252

[Submitted by United Brotherhood of Welders]

[Copy]

J. D. Vance,

Anti-Trust Division

United States Department of Justice

PORTLAND, OREGON, November 2, 1941.

Mr. CHARLES BRINKERHOFF,

Tacoma, Wash.

DEAR FRIEND AND BROTHER: I received your welcome letter just before I went to work yesterday. I gave the information and address to three fellows on the job last night, who promised to spread it around among the fellows as much as they dared.

You might be interested to know that I have been warned from all sides here since I attended the welders' meeting here. This fellow Leonard Brock (who is on the Board here) threatened me with a fine from the Boilermakers. So I went delinquent the last of October to avoid any more trouble with them. I hated to lose my Boilermakers card because if the welders don't get recognition it will cost me considerable to reinstate sometime.

Jack Gillard, Steamfitter's Business agent, called me up and told me I was behind the eight ball for going to the meeting. He told me to warn all the fellows not to go to any welders' meetings.

He said, "You tell them if they do they will get a pink slip."

When I came down here from Seattle I had to work on a permit out of the Steamfitters' Local 235 here. The fee or assessment was 50¢ a shift and \$1.00 for double-time shift, besides the \$50.00 to join, \$6.00 quarterly dues, and then 15¢ a day members' assessment and \$3.50 a month Boilermakers' dues.

When I first landed here April 8, 1941, I presented my clearance card to the Boilermakers Local #72, but Tommy Ray refused to accept it because I was going to work on a permit from the Steamfitters. I wrote back to Seattle Local for a Withdrawal Card. I'm sending you the letter I received from them, also the money order I got back. In June Local #72 accepted my clearance card but refused to give me a Withdrawal Card then, and on two other occasions later.

Most of the welders here are beginners and because of their one great ambition to become a good welder they are scared stiff if anyone says *Boo*.

If there is any other way I can help you without openly exposing myself too much, please let me know. I'm sending what proof I can to you. When this is settled one way or another if you still have it you can send it back.

I certainly admire you, Charlie, for the work you are doing and wish I could help you more. You or any of your friends will always be welcome at my home.

Your friend and brother,

JAMES H. EARNEST.

[Copy of money order]

APRIL 26, 1941, *Seattle, Wash.*

Issued to Boilermakers Local #541.

Remitter: James H. Earnest.

EXHIBIT No. 253

[Submitted by United Brotherhood of Welders]

LOCAL UNION No. 760

[Letterhead of United Association of Journeymen Plumbers and Steam Fitters
of the United States and Canada]

NOVEMBER 8, 1941.

JAMES E. WHITE,

25½ *South Pennsylvania Street,*
Denver, Colorado.

DEAR SIR and BROTHER: I received your thirteen dollars (\$13.00) for September, October, and November dues and assessments and one dollar (\$1.00) for August assessments.

As Local 760 has charge preferred against all Welders that walked out on various jobs you will have to have your Business Agent write me a letter verifying that you did not walk out with the Independent Welders.

In our last meeting a special assessment was placed on each member, the amount of ten dollars (\$10), to be paid within the 30th of November.

The purpose of this assessment is to purchase a Home for Local 760 and 760-B and only covers repairs on the Building to be purchased. Hoping this information is clear.

Until I receive a letter from your Business Agent I cannot send you your book.

Fraternally yours,

W. L. DUNMIRE, *Sec. & Treas.*

EXHIBIT No. 254

[Submitted by United Brotherhood of Welders]

[In writing:] These letters are evidence of the antagonistic attitude to men who want to build a Weldors Union.

[In writing:] Defence work makes no difference, we are out so far as A. F. of L. is concerned.

UNITED WELDORS-CUTTERS AND HELPERS OF AMERICA, LOCAL 37,

November 18, 1941.

I was working for the San Francisco Bridge Co. who have a construction job at the Navy Fleet base, Terminal Island, Cal. I was ordered off my job by the Business Agent of International Union of Operating Engineers, Local 12-B. He said that I must clear through this union in order for me to continue working.

I am a member of the United Weldors, Cutters and Helpers of America, and do not wish to work under any other union. I have a paid up card in the International Union of Operating Engineers, but they said that I must come into the union and sign a clearance.

Yours truly,

R. L. LIVINGSTON.

They also refused to let me clear even though I am a member in good standing.

EXHIBIT No. 255

[Submitted by United Brotherhood of Welders]

GRAND LODGE, UNITED WELDORS-CUTTERS AND HELPERS OF AMERICA,

5825 South Broadway, Los Angeles, California, November 19, 1941.

I am working for the San Francisco Bridge Co., who have a construction job at the Navy Fleet base, Terminal Island, California. I was ordered off my job by the Business Agent of International Union of Operating Engineers, Local 12-B. He said that I must clear through this union in order for me to continue working.

I am a member of the United Weldors, Cutters and Helpers of America, and do not wish to work under any other union. I have a paid up card in the International Union of Operating Engineers, but they said that I must come into the union and sign a clearance.

Yours truly,

JOSEPH R. NOWAK.

[In ink:] They also refused to let me clear.

EXHIBIT No. 256

[Submitted by United Brotherhood of Welders]

NATIONAL BROTHERHOOD OF WELDERS AND BURNERS OF AMERICA,

11-15-41.

I, P. E. Nesselquist do swear and confirm that the following statement, made by me this 15th day of November 1941, is true.

I was asked by the personnel office of the Plumbers and Steamfitters Union Local No. 91 if I belonged to the National Brotherhood of Welders, Burners and Helpers after having said yes I was told that I would have to surrender my book, which is in good standing, to the Union before I could go back to work on the Alabama Ordnance Works at Childersburg, Ala. Other welders which did not confess that they belonged to the National Brotherhood of Welders were given a clearance card and did not have to surrender their book.

P. E. NESSELQUIST.

4100 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

[In pencil:] Please note dues in 2 union at same month.

No. 6504

TEMPORARY WEEKLY WORKING CARD

issued by

PLUMBERS AND STEAMFITTERS LOCAL NO. 106

Lake Charles and Vicinity

5-16, 1941.

Name: Robert N. Hodges.
Initiation:
Working for: Carter Water Dept.
Good until: 5-16.

ARCHIE ANDERSON.

\$5.38.

No. 6505

TEMPORARY WEEKLY WORKING CARD

issued by

PLUMBERS AND STEAMFITTERS LOCAL NO. 106

Lake Charles and Vicinity

5-16, 1941.

Name: Robert N. Hodges.
Initiation:
Working for: Carter Water Dept.
Good until: 5-24.

ARCHIE ANDERSON.

\$1.90.

No. 6507

TEMPORARY WEEKLY WORKING CARD

issued by

PLUMBERS AND STEAMFITTERS LOCAL NO. 106

Lake Charles and Vicinity

5-23, 1941.

Name: R. M. Hodges.
Initiation: 1206.
Working for: Carter.
Good until: 5-31.

ARCHIE ANDERSON.

\$2.06.

No. 6508

TEMPORARY WEEKLY WORKING CARD

issued by

PLUMBERS AND STEAMFITTERS LOCAL NO. 106

Lake Charles and Vicinity

6-3, 1941.

Name: R. N. Hodges.
Initiation:
Working for: Carter Water Dept.
Good until: 6-7.

ARCHIE ANDERSON.

\$2.10.

INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM 4101

ORIGINAL—To be given to member.

MECHANIC'S DUE AND INSURANCE RECEIPT

SHREVEPORT, 6-5-1941.

Registered No. 494913

No. 643724 E

Received from Bro. R. N. Hodges C. C. from Lodge No. _____

Monthly dues----- \$1.75

Insurance Premium----- 1.25

Total----- 3.00

Issued by Local No. 328.

Received Payment,

W. T. ADAMS.

[April punched out of list of months in margin.]

ORIGINAL—To be given to member.

MECHANIC'S INITIATION AND INSURANCE RECEIPT

TAMPA, FLA., Feb. 8, 1941.

Registered No. 497913

Received from Bro. Robert Newton Hodges, C. C. from Lodge No. _____

Monthly Dues----- \$23.75

Insurance Premium----- 1.25

Total----- 25.00

Issued by Local No. 433.

Received Payment,

H. HATFIELD per WEW/mws.

[February punched out of list of months in margin.]

ORIGINAL—To be given to member.

MECHANIC'S DUE AND INSURANCE RECEIPT

SHREVEPORT, LA., Aug. 6, 1941.

Registered No. 436293

No. 680243 E

Received from Bro. R. N. Hodges, C. C. from Lodge No. _____

Monthly Dues----- \$1.75

Insurance Premium----- 1.25

Total----- 3.00

Issued by Local No. 328.

Received Payment,

W. T. ADAMS.

[June punched out of list of months in margin.]

ORIGINAL—To be given to member.

MECHANIC'S DUE AND INSURANCE RECEIPT

SHREVEPORT, 9-5-1941.

Registered No. 436293

No. 650695 E

Received from Bro. R. N. Hodges, C. C. from Lodge No. _____

Monthly Dues----- \$1.75

Insurance Premium----- 1.25

Total----- 3.00

Issued by Local No. 328.

Received Payment,

W. T. ADAMS.

[July punched out of list of months in margin.]

4102 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

ORIGINAL—To be given to member.

MECHANIC'S DUE AND INSURANCE RECEIPT

SHREVEPORT, 5-5-1941.

No. 640597 E.

Registered No. 494913

Received from Bro. R. N. Hodges, C. C. from Lodge No. ———

Monthly Dues----- \$1. 75

Insurance Premium----- 1. 25

Total ----- 3. 00

Issued by Local No. 328.

Received Payment,

W. T. ADAMS.

[March punched out of list of months in margin.]

ORIGINAL—To be given to member.

MECHANIC'S DUE AND INSURANCE RECEIPT

SHREVEPORT, 7-8-1941.

Registered No. 494913

Received from Bro. R. N. Hodges, C. C. from Lodge No. ———

Monthly Dues----- \$1. 75

Insurance Premium----- 1. 25

Total ----- 3. 00

Issued by Local No. 328.

Received Payment,

W. T. ADAMS.

[May punched out of list of months in margin.]

TAMPA, FLA., 1-18-1941.

Received from R. N. Hodges, Five and 00/100 dollars, on init., bal. due, \$15.00.
\$5.00.

H. HATFIELD.

TAMPA, FLA., 1-27-1941.

Received from R. N. Hodges, Fifteen and 00/100 Dollars, on int pd in full.
\$15.00.

H. HATFIELD.

No. 10044

PLUMBERS & STEAMFITTERS, LOCAL UNION 91,

Oct. 9, 1941.

Received of Robert N. Hodges, Fifteen and no/100 Dollars.

Amt. Paid, \$15.00.

Balance, \$75.00.

By F. STUCKEY,
Shop Steward, Local 91.

TAMPA, FLA., 1-11-1941.

Received from R. N. Hodges, Five and 00/100 Dollars, on appli., bal. due,
\$20.00.
\$5.00.

H. HATFIELD.

EXHIBIT No. 257

[Submitted by United Brotherhood of Welders]

[Letterhead of International Brotherhood of Boiler Makers, Iron Ship Builders and Helpers of America]

Subordinate Lodge No. 92

Address of writer: 7315 S. San Pedro, Los Angeles, California.

APRIL 15TH, 1941.

WM. F. SCHLATER,

3909 Mayfield, Long Beach, California.

DEAR SIR AND BROTHER: By motion made and carried by Local No. 92 at its regular meeting of April 10th, 1941, you are directed to appear before a Trial Board on Saturday, April 19th, 1941, at 11:00 o'clock A. M., at 7315 South San Pedro Street, Los Angeles, California, in connection with your activities in a dual organization.

Faternally yours,

E. V. BLACKWELL, *Secretary.*

EVB:CCB

AFL 20798

Registered mail

Return receipt requested.

EXHIBIT No. 258

[Submitted by United Brotherhood of Welders]

Nov. 19, 1941.

I am a W. P. A. welder trainee at one of the National Defense training schools here in Los Angeles. I have now completed my training and belong to the United Welders, Cutters and Helpers of America. I cannot go to work at California Ship Corp. because I must pay \$25.00 initiation fees. I have a large family, and cannot afford to pay out that much money at one time, for as you know I only get \$82.80 per month and this must be used for the support of my family.

Yours truly,

J. D. MARTINEZ,

4529 Michigan Ave., Los Angeles, Calif.

EXHIBIT No. 259

[Submitted by United Brotherhood of Welders]

[Copy—Telegram]

SEATTLE, WASH., Nov. 18, 1941.

DAVE BASOR,

1919 C St. NE.

L. S. Graves—Isaacson Iron Works? Returned after strike was told there was no work. Foreman told him if it wasn't for activity in Independent Union he would have been able to work. After asking J. Creem of the O. P. M. for work these men were told by him that there was no orders against the A. F. L. hiring and sending men into shipyards. These names are: C. M. Jorgensen, Bart Di Mattina, Robert Burlew, Everett Railsback, Thomas Hopkins, Melvin Coffee, Vincent E. Miller. Everett Railsback worked at Pacific Car and Foundry. Job was refused on return to work. Creem claims he has no authority to put this man to work. Lewis Callahan and A. L. Torerson worked at Pacific Car and Foundry; layed off day before strike? Were called back during strike; did not go back and were refused their job after the strike. Herbert Meyer worked at Rainer Equipment Co. Came out on strike and was refused reemployment on the excuse that work played out. Melvin Coffee from Archer Blower went out on strike. After strike was over company claimed work played out. A. M. Welsh from Mud Mountain was reemployed for one shift, then fired. Was told to tear up Independent card by master mechanic and go back in the A. F. of L.

Willard Pease from Isaacson Iron Works refused job after the strike; claimed work was played out. Also Clyde Jones was refused job on the same excuse. Albert Dossey from Fentron Steel was fired day after strike because of being sick one day; had been employed more than one year; replaced by man from local 506, Ornamental Iron Workers. Al Howren from Truck Welding was refused job back after strike; claimed shortage of work. Allan Johnson from Isaacson Iron Works reported for work and they used the excuse that they were out of working materials. William Marcel from Kenworth Motors went to work but was locked out. Position had been filled by someone else during strike. Ralph Meyers and Denny Glad were told at Seattle Tacoma that they could go to work if they went through 541. Dave: We have at least 100 more men in the same condition but couldn't contact all of them in person today; will have some more tomorrow.

AL CARROLL.

EXHIBIT No. 260

[Submitted by United Brotherhood of Welders]

[Telegram]

TACOMA, WASH., *December 2, 1941.*

WILLIAM PLESTED,
602 5 St., Northwest;

Several of us have received notice from Franklin that our membership in boilermakers has been suspended; gross violation of truce agreement.

CHAS. BRINKERHOFF,
Exec. Sec., Tacoma Welders and Burners Council.

EXHIBIT No. 261

[Submitted by United Brotherhood of Welders]

[Copy]

2327 N. COMMERCIAL, PORTLAND, ORE.,
Nov. 7, 1941.

MR. CHARLES BRINKERHOFF,
Tacoma, Wash.

DEAR BRINK: I have something here which I think is important enough to let you know about. I work swing shift at Oregon shipyard but I also instruct a Government pipe welding class daytime at 7th & Hancock here. A friend of mine who also instructs there came to me this morning and said, "Well, Tex, I'm getting kicked out of here today just because I happen to belong to the Iron Workers instead of the Boilermakers."

The man is a very competent instructor. He has had 27 years welding experience. Eight years for United Airline (Western Division).

These Government schools really need men like him here. He is very bitter about it and said he would gladly answer any and all questions and do anything he could to help the welders' cause.

His name is, Glen W. Berry, 2110 N. W. Flanders St., Portland, Ore., Phone (Landlady's), Beacon 9909.

He belongs to Iron Workers Local #516 here.

Last Wednesday (Nov. 5, 1941) a fellow here by the name of Leonard Brock (The same fellow who caused me the trouble here, and who, by the way, is on the Boilermakers' Executive Board here, and is the fellow they all called Louie at the welders' meeting the Sunday you were here), tried to throw Berry bodily out of the government welding school where they both worked but got a good poke in the nose for his trouble.

This is all I know about the case but if you think he could be of any help I'm sure he will give you any information you like.

Sincerely yours,

(Signed) JAMES H. EARNST.

EXHIBIT No. 262

[Submitted by United Brotherhood of Welders]

[Telegram]

PITTSBURGH, PA., Nov. 13.

DAVE BASSOR,

1919 C St., Northeast:

The Pittsburgh local of National Brotherhood of Welders ran a notice of a meeting to be held at the Roosevelt Hotel for welders in all Pittsburgh papers at this meeting. The following craft agents, Johnson & Adherne, business agents for Steamfitters Local 449, and Mat Gorman, president of the Iron Workers Local No. 3, of Pittsburgh, walked in before meeting convened. It was asked that all nonwelders to leave at this time. Then these representatives started confusion and intimidation, threatening all welders at this meeting, and on leaving Mr. Johnson said all welders at meeting on Riggs Distler pay rolls at Morgantown ordnance works not to report for work in the morning, as their permits would be lifted.

MARVIN A. BROWN.

EXHIBIT No. 263

[Submitted by United Brotherhood of Welders]

STATE OF LOUISIANA.

Parish of East Baton Rouge:

Before me, the undersigned authority, personally came and appeared Bennie E. Reynolds, who, after being by me first duly sworn, deposed and said that prior to November 6, 1941, he was employed by the Reynolds Metal Company, working on a construction job at Sheffield, Alabama, engaged in the construction of an aluminum plant; that affiant was at the time a duly qualified member of the Steam Fitters Union, and an affiliate of the American Federation of Labor, and that affiant is a welder by trade and was performing welding duties at that time; that he went on a sympathy strike as the result of the demands of the welders for recognition, and that approximately one hundred welders in this area went on a sympathy strike with the action of the West Coast Welders strike; on November 6, 1941, they were advised of the agreement signed between the welders' unions and Mr. Sidney Hillman of the Office of Production Management, and that under this agreement they returned to work on November 6, 1941; that after they, affiant and twenty-three other welders, were called into the office of the personnel manager, and were advised that if they wished to go back to work that it would be necessary for them to clear themselves with the Steam Fitters Local, and that six of them were blackballed, and that it would be necessary for them to pay their fines; the personnel manager of the Reynolds Metal Company advised them that they had no differences with them but that six of them, including affiant, were "blackballed" by the A. F. of L. Steam Fitters Local, Sheffield, Alabama, Local No. 760, that they would have to clear themselves through the business agent, a Mr. Roper, or Mr. Poag; affiant does not remember the names of all six of the men, but two of the six were L. J. Daniels and Dennis C. Dean; affiant knows that several of the welders working on the T. V. A. constructions were "blackballed" also, because the guards had their names down and would not let them get into the gates at the time; that when this happened affiant was a duly qualified, and still is a duly qualified, member of the National Brotherhood of Welders and Burners of America; affiant would still be working today if it had not been for the action of the A. F. of L. in "blackballing" him, and this measure was also exercised against almost two hundred welders in this area.

Sworn to and subscribed before me at Baton Rouge, Louisiana, this
day of November, 1941.

Notary Public.

EXHIBIT No. 264

[Submitted by United Brotherhood of Welders]

LONG BEACH, CALIF., 11-12-41.

GENTLEMEN: I reported to work at Cragship Building Co. the morning of Nov. 6, 1941, and was turned away by the shop steward of the machine shop, and the production management and I was also told by the management to stay out until this was cleared up. With the understanding that there was no hard feeling between us.

The following morning, Nov. 7, 1941 I was again told to report back again by the United Welders office, and was again turned down by the management. I made a protest at the time—that I was expecting to be paid from and including Nov. 6, 1941, as the Government had ordered us back to work on that day. I was informed by the management not to expect pay from them, that they had a contract with the C. I. O. and must live up to it. They also stated that if we wanted to drag our time we could do so, and also if we returned to work the C. I. O. would pull the rest of the crafts, and they could not afford to shut the entire shop down for the sake of the welders.

Sincerely,

E. C. OLSEN,
5533 L. B. Blvd., Long Beach, Calif.

EXHIBIT No. 265

[Submitted by United Brotherhood of Welders]

I was requested to report for work Nov. 8, 1941, at 2 P. M. by the personnel director. I went to work at 12:30, graveyard shift, Nov. 8th. The following men forced me to leave my work at 2 P. M. and was told not to come back till I was cleared thru the C. I. O., Local 9, San Pedro.

Daniel J. Fraser, shipfitter, shop steward.

Donald P. Oneil, welder, shop steward.

Curtis Wm. Hoke, Jr., welder, shop steward.

WESLEY E. STIFF,
L. A. Shipyard & Dry Dock, San Pedro, Calif.

EXHIBIT No. 266

[Submitted by United Brotherhood of Welders]

Nov. 11, 1941.

IN REGARD TO THE BURBANK STEAM PLANT

I was one of nine weldors & Helpers who were let out due to strike conditions.

When we were notified to return to work, we were forced to take Civil Service examinations before we could return to work. After going through this examination, three of us are still not at work.

I am one of the oldest men on the job, and am older than any working, except the boss.

My work has proven satisfactory up until the time we all walked out. This walkout included our weldor boss, Mr. Alexander. He assured us he was with us 100% and that we all would go back together, but it seems that Mr. Alexander has picked his own relation with the company and personal friends from the examination files (regardless of seniority) and put them back to work.

The company made statements that there was no O. P. M. or government telling them how to run the city, that there was no connection between the government and them as far as the government having anything to say about rehiring us. They would rehire us according as the need arises.

JOSEPH R. NOWAK,
3744 West 108 St., Inglewood.

EXHIBIT No. 267

[Submitted by United Brotherhood of Welders]

HAWTHORNE, CALIF., August 19, 1941.

J. W. MASSEY,
Pres, United Welders
Local #37, Los Angeles, Cal.

DEAR BRO.: I would like to have this letter entered in the investigation of multiple-card racket, as proof of discrimination against me.

In April of 1941 I went to work for the Los Angeles Shipbuilding and Dry Dock Corp. of San Pedro, Cal.; I was excepted by the investigating committee of the Shipyards Union of the C. I. O., Local #9. The union compelled me to pay 50 cents a day permit for the first 10 days in order to work. I paid the Union the \$5.00 permit money plus \$3.00 to be applied to my membership fees, and was told by the shop steward that I could pay the balance of \$8.50 on my membership fees at my convenience. But on the 2nd of June my time card was pulled out of the time card rack, and the shop steward said I was through. I wanted to know why. So they told me that it was because I belonged to the United welders union, and would have to get a withdrawal from it if I wanted to work, so I refused. And they terminated me. I went to the company and asked for a letter explaining why I had been terminated but they refused, saying it was a matter between myself and the union, and was entirely out of their hands. But I was given a letter of recommendation from the superintendent of welders, as I was a certified Navy welder and had proven my ability.

Fraternally yours,

PAUL C. GREGORY,
 727 York Ave., Hawthorne, Calif.

EXHIBIT No. 268

[Submitted by United Brotherhood of Welders]

ENGINEER TO START & STOP WELDING MACHINE

DEPARTMENT OF JUSTICE

434 Federal Office Building

SEATTLE, WASHINGTON

OCTOBER 31, 1941.

Nick Bosko, 2625 South State Street., Tacoma, Washington, Telephone: Main 1550.

Interviewed by Gareth M. Neville, October 30.

Bosko was working as a welder's foreman at the Seattle-Tacoma Ship Yards at the time of the strike. He was also serving as a welding instructor in the Lincoln High School, Tacoma. He is still continuing the latter activity.

Bosko has been following the trade of welding for the past 21 years. He joined Local 691 of the Boilermakers Union in 1935, and was made a charter member. In 1937, he went to Los Angeles and obtained a job with the Gay Engineering Company. Inasmuch as this company had a contract with the Boilermakers, it was not necessary for Bosko to join another union in order to get on the pay roll. However, while welding for the Gay Engineering Company in San Francisco during August and September of 1937, he was forced to pay 25¢ a day permit money to a Refrigeration union. Bosko was unable to explain why this was necessary. He said that he deemed it better to pay the permit money than to have the entire job picketed.

Bosko's next job was on the Federal Building in Los Angeles. He worked on this job during January, February, and March of 1938. While working, he was forced to pay to the Iron Workers Union a total of 35¢ for each day worked. 25¢ of this amount was permit money and 10¢ was picket money. The shop steward working on the Federal job collected the cash.

During July of 1938, Bosko went to Grand Coulee and obtained a welders job at the Dam under his old Boilermakers card. During the latter part of 1938, a business agent for the Sheet Metal Workers in Seattle arrived at the Dam and claimed jurisdiction over all Grout welding. As a result of this claim, all of the Boilermaker welders doing such welding were forced to pay additional initiation fees and join the Sheet Metal Workers Union, and then pay dues to both unions. Bosko was working in the machine shop at the time and so was not affected. However, he did attend all of the Union meetings at which the situation was discussed and as a result is familiar with the entire affair.

In October of 1939 Bosko moved to Seattle. Shortly after arriving, he was offered a job at the Mud Mountain Dam. However, he discovered that in order to work on this job, it would be necessary for him to join the Machinists Union and give up his Boilermaker's card. Mr. Pat Obar, head engineer at the Mud Mountain Dam, so informed Bosko. Because of the difficulty of changing unions, Bosko refused the Mud Mountain job.

Shortly after the occurrence described above, Bosko obtained a welder's job at Boeing's. However, before he could go to work on this job, he was forced to join the Aeronautical Machinists Union. Bosko was not required to pay any initiation fee, but only to pay 3 months' dues in advance. Bosko does not know why he was not forced to pay the regular initiation fee.

Bosko worked at Boeing's until February of 1940. During this month, he was offered a welder foreman's job at the Seattle-Tacoma Ship Yards, and so transferred from Boeing's to the Ship Yards. Inasmuch as Bosko was already a member of the Boilermakers Union, he had no difficulty transferring. After he left Boeing's he stopped paying dues to the Machinists Union. He now has a chance to go back to Boeing's at a rate of pay higher than he was receiving from the Ship Yards at the time of the strike. However, the Machinists Union has refused to reinstate him and insists that before he takes the job at Boeing's he must pay a new initiation fee of \$25.00. Bosko explained that at present he also has been asked to go to work for the Austin Company at Manchester, Washington, at wages of \$77.00 per week. However, in order to work as a welder at this place, it would be necessary for him to join the Machinists Union having jurisdiction over the job.

Bosko said that a man's ability no longer counts. He said that if someone in the Union "gets sore at you" it is impossible to obtain work under the jurisdiction of the Union in question. He explained that he could obtain for the Department proof of numerous instances where Union officials had refused to send competent welders on a job because of some personal grievance held against such men, and thus forced the employers to hire all kinds of incompetents and drunks. Furthermore, he said that "when times are not so good" it is absolutely necessary for a man to "be thick" with the proper union official in order to obtain work. He said that favoritism is constantly being shown to certain individuals at the expense of other members of the Union. He explained that as a result of such conditions, there is no incentive for a welder to try to become efficient and do his work well.

The writer asked Bosko how various unions determine which one has jurisdiction over a particular job. He replied, "that union whose business agent first gets the job usually obtains jurisdiction." He explained that no union would ever stop its members from doing work theoretically under the jurisdiction of another union, but that all unions constantly endeavored to prevent nonmembers from doing work which might even be considered under their jurisdiction.

The writer asked Bosko whether he was aware of any instances where two unions, both claiming jurisdiction over the same job, insisted on placing their own members on the job with the understanding that only one of the individuals so hired would actually work. He replied that such occurrences were continually going on in the Seattle ship yards. When the writer asked him to furnish specific instances, he said that such occurrences were so common that he had failed to make a mental note of them. He did explain, however, that a Mr. Pat Caster, owner of the Northwest Welding Supply Company, while doing a job at Fort Lewis, Washington, had been forced to hire a stationary engineer at a wage of \$1.50 per hour to turn on the welding machine used by a union welder. Bosko said that all the stationary engineer had to do was push a button four times a day. Bosko also said that Morgan, formerly owner of the Service Electric Company, had been forced to follow the same procedure at various times. Morgan is now superintendent at the new Todd Yard.

At the close of the interview, Bosko explained that the situation had reached such a disgusting point that "I am willing to stick my neck out for the Government, if it needs me."

GARETH M. NEVILLE, *Special Attorney.*

EXHIBIT No. 269

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
814 United States Court House
SEATTLE, WASHINGTON

Peter M. Peterson,
Route 3, care of
General Delivery,
Kirkland, Washington.

Interviewed by Vance on October 28, 1941.

I have been a member of four other locals aside from the Boilermakers. In about 1930 I worked on ships in the Great Lakes—member of International Seamen's Union (A. F. of L.). In order to be a welder and a maintenance man aboard ship, I had to take a test as a seaman and join the Seamen's Union. Then we got into New York Harbor, welding some deck brackets. I was forced to join the Longshoreman's Union which was at that time A. F. of L. I had to pay \$75.00 and \$4.50 a month. I got off that ship and went back to the Lakes. I was a member in good standing of both unions above mentioned and decided to change ships in Detroit. I went to work for Nicholson Transportation Company. Immediately I had to join another union, the National Maritime Union (C. I. O. affiliate). The constitutions of all three unions are almost identical. Each stated I could not take a withdrawal card while I was working at my trade. Then I decided to stay ashore and went in business for myself. I did not keep up the cards and became delinquent. After a while I went to Wisconsin and landed in Manitowoc in 1936 or 1937. I paid permit money to Local 386 of Boilermakers but never got membership. They were asking me 25¢ a day; in 60 days I could become a member if I got the right signatures on my application, but that was practically impossible. Until you were in a year you had to start as a First Class man.

Then I went to Milwaukee, Wisconsin, August 23, 1939—went to work for Milwaukee Railroad Company in the Car Department. We were there in the shops about one-half hour when we were asked if we were going to join the union. We asked what one—that we were getting a little tired of joining unions. I joined the Blacksmith's Union, Local 77, became very active in union work and was an officer of that local. There were four unions in this shop—Blacksmith's, International Brotherhood of Carpenters and Helpers of America, Boilermakers, and Sheetmetal Workers—had jurisdiction over all welders. I got work different places with my blacksmith's card. According to Hoyle I was doing Carmen's work and had to pay permit money to Tusmiths and Carmens. I was active in forming the Association of Certified Welders of Wisconsin. We progressed to the point where we had about 3,500 welders lined up—getting along nicely. Then I was forced from my job and the Superintendent of the Division said it was due to union pressure. He suggested I take a pass and go to the West Coast. I found the Association had been crashed here.

I went to work in Seattle at Todd Dry Docks under the Boilermakers Local 541 on a permit card. At that time I was still a member in good standing of the Blacksmiths. I had to pay 25¢ a day to the boilermakers. At that time I was doing Blacksmith welding on the job. It was the summer of 1940 that I went to work at Todd's. I lost my job and Doug Fowler wouldn't give me a job. He said card men came first. I ran into one of the fellows I had worked with at Todd's and he told me all the card men were working and that there were no card men on the list.

Around the 1st of September 1940 I got a job with Macco Case Construction Company at Bremerton, Washington, through the Blacksmith's. The Boilermakers claimed jurisdiction on the job, and I knew I would have to join that

union when I went back to Seattle to work. One day I met William Williams, International Vice President of the Boilermakers, and we were talking about my working over at Macco's. I asked him if that was under the jurisdiction of 541, and he said no and advised me to join the Boilermakers at Bremerton, take my clearance card in to Doug Fowler when I came to Seattle and that he couldn't refuse it. My card was from 571 at Bremerton.

Later I went to Seattle and put the clearance card into the window. The Business Agent, Fowler, said "That's no good, Bud. You know, Pete, you tried to pull a fast one on us. You can't go over there and join a union and come back here. You know the initiation here is \$30. Before I put you to work you will put that \$30 through the window or else you won't go to work." I took the thing to the floor and the membership said I could come into the union if I paid the other \$20. I was willing enough to do that because I had to go to work. Since that time I have paid dues into the thing. I have tried to be a good strong union man.

In February I went on record as asking that the permit system be lifted entirely and a straight initiation fee be asked. It is not in the Minute Book; when I asked about why it wasn't recorded, the secretary said that it wasn't favorable policy.

I went to Lake Union, then to Todd's, now at Lake Washington. I was a job steward at Lake Washington. I did the Business Agent's bidding and pulled a man off the job. I then sent in my resignation.

I actually know a man that carries 20 cards. He is in Kodiak, Alaska, now. We have taken a vow to keep this strike clean.

One time I asked George Nelson how many permit men we had on—He said 74. I know that is a lie because we had 69 permit men at Todd's. I would estimate 450 or 500 permit men all together. He also made the statement that there were 74, from the floor. I wanted to get the cards numbered and was outvoted three to one.

We have bought a National Defense Bond and sewed up about \$15,000. When we wanted to buy this bond, there was a fight because they didn't want to tie that money up. They had turned it down in the Executive Board meeting.

At Todd's Dry Dock for over seven weeks I sat behind the Tin Shop and drew \$10 a day for reading magazines and doing absolutely nothing. They tabled me because there were 9 sheet metal men working on boilermaker work. They kept me there to keep away from a jurisdictional dispute. I had to sit there in order to satisfy the Boilermaker's Union.

The ships at Todd's are being built on a cost plus system. I would estimate that ships are being built at three times the cost they should be.

There are welders walking out in Louisiana, New Jersey, Chicago, etc. Basor is key man. If he settles, they will all settle.

EXHIBIT No. 270

DEPARTMENT OF JUSTICE
434 Federal Office Building
SEATTLE, WASHINGTON

OCTOBER 30, 1941.

Paul E. Davis, 505 East Denny Way, Apartment 506, Seattle, Washington.
Interview by Gareth M. Neville, October 29.

At the time of the strike, Paul E. Davis was working at the Associated Yards. He obtained an International card from the Teamsters Union in Chicago on December 29, 1938. He paid \$400 for this card and at the time he obtained it was informed that it would automatically admit him in any A. F. of L. Union in the world, providing he could pass a journeyman's test for the type of work done by the Union members. Davis arrived in Seattle in February of 1939. He first tried to transfer to the Milk Wagon Drivers Local of the Teamsters Union. Radcliff, business agent for this Union, said that Davis' International card was no good so far as the Teamsters were concerned. Furthermore, Radcliff did not even let Davis join the Union and pay the regular initiation fee.

Davis passed a welder's test and obtained a permit card from Local 541 on July 14, 1941. Nelson, business agent for Local 541, likewise refused to honor

Davis' International card and informed Davis that it would be necessary for him to pay permit money at the rate of \$1 a day until the full sum of \$60 was paid. Davis was given no assurance that he would be admitted to the Union at the expiration of the permit period. However, he was informed that he would be investigated and if found suitable would be passed on by the Union executives.

Davis paid \$30 to Local 541 and then stopped his payments. He was immediately blacklisted by the Boilermakers and informed by Doug Fowler that if the remaining \$30 was not paid immediately he, Davis, would be pulled off the job. However, Davis went on strike with the Welders and Burners Local before Fowler had an opportunity to carry out the threat.

At the time Davis applied for his permit card from Local 541, he was informed by Nelson that the Boilermakers Local 541 had full jurisdiction over all welding work in all the shipyards in Seattle. Nelson further said that it would be necessary for Davis to obtain a permit from Boilermakers Local 541 in order to gain admission to any shipyard. According to Davis, Boilermakers Union, Local 541, does not have jurisdiction over all welding in all of the shipyards.

Davis said that the contract under which the Boilermakers claimed jurisdiction was signed by all of the Metal Trades Union and that the welding work was supposed to be divided among all such Unions according to predetermined jurisdiction.

While working at the Associated Yards, under a Boilermakers permit card, Davis welded material under the jurisdiction of the Shipwrights, Plumbers and Steamfitters, and the Boilermakers.

GARETH M. NEVILLE, *Special Attorney.*

EXHIBIT No. 271

[Submitted by United Brotherhood of Welders]

PIPE FITTERS AND WELDERS, LOCAL UNION No. 465

3169

LOS ANGELES, CALIF., 5/5, 1939.

Received of Brother Orill, Albert V.

Dues: \$25.00.

Initiation fee, pd. in full.

Received by

LEWIS S. BERRY.

ORIGINAL—To be given to member.

MECHANIC'S DUE AND INSURANCE RECEIPT

LOS ANGELES, 6-28, 1939.

Registered No. 462876

No. 215113 E

Received from Bro. Albert V. Orrill, C. C. from Lodge No. _____

Monthly Dues	_____	\$3. 25
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Insurance Premium	_____	1. 25
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Total	_____	4. 50
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Received payment,

E. V. BLACKWELL.

Issued by Local No. 92.

[Month of May punched from list of months in margin.]

ORIGINAL—To be given to member.

MECHANIC'S DUE AND INSURANCE RECEIPT

LOS ANGELES 8/30, 1939.

No. 226540 E

Registered No. 462876

Received from Bro. Albert V. Orrill, C. C. from Lodge No. _____

Monthly Dues _____ \$3. 25

Insurance Premium _____ 1. 25

Total _____ 4. 50

Received Payment,

Issued by Local No. 92.

E. V. BLACKWELL.

[Month of July punched from list of months in margin.]

EXHIBIT No. 272

[Submitted by United Brotherhood of Welders]

ORIGINAL—To be given to member.

MECHANIC'S OUT-OF-WORK AND INSURANCE RECEIPT

LOS ANGELES, 2-28-1939.

No. 26096 E

Registered No. 462876

Received from Bro. Albert V. Orrill, C. C. from Lodge No. _____

Monthly Dues _____ \$0. 25

Insurance Premium _____ 1. 25

Total _____ 1. 50

Received Payment,

Issued by Local No. 92.

E. V. BLACKWELL.

[Month of January punched from list of months in margin.]

ORIGINAL—To be given to member.

MECHANIC'S DUE AND INSURANCE RECEIPT

LOS ANGELES, 3-31-1939.

No. 28996 E

Registered No. 462876

Received from Bro. Albert V. Orrill, C. C. from Lodge No. _____

Monthly Dues _____ \$0. 25

Insurance Premium _____ 1. 25

Total _____ 1. 50

Received Payment,

Issued by Local No. 92.

E. V. BLACKWELL.

[Month of February punched from list of months in margin.]

INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM 4113

ORIGINAL—To be given to member.

MECHANIC'S DUE AND INSURANCE RECEIPT

LOS ANGELES, 4-25-1939.

Registered No. 462876.

No. 29398 E

Received from Bro. Albert V. Orrill, C. C. from Lodge No. _____

Monthly Dues----- \$0. 25

Insurance Premium----- 1. 25

Total----- 1. 50

Received Payment,

Issued by Local No. 92.

E. V. BLACKWELL.

[Month of March punched from list of months in margin.]

JULY 15, 1939.

Received of A. V. Orrill \$1.00 Donation.

\$1.00.

BILL ROBINSON.
By M. Warwick.

ORIGINAL—To be given to member.

MECHANIC'S DUE AND INSURANCE RECEIPT

LOS ANGELES, 7-17-1939.

Registered No. 462876

No. 218136 E

Received from Bro. Albert V. Orrill, C. C. from Lodge No. _____

Monthly Dues----- \$3. 25

Insurance Premium----- 1. 25

Total----- 4. 50

Received Payment,

Issued by Local No. 92.

E. V. BLACKWELL.

[Month of June punched from list of months in margin.]

[OFFICIAL PERMIT]

No. 324732

INTERNATIONAL ASSOCIATION OF BRIDGE, STRUCTURAL AND ORNAMENTAL IRON
WORKERS

Local Union No. 433

JULY 22, 1939.

This permit issued to A. V. Orrill entitles him to work until July 29, 1939, and is void thereafter unless renewed by Examining Board of Business Agent. Steward Collect \$2.00 per day for June dues, \$6.50.

Issued by

M. E. EMERSON.

EXHIBIT No. 273

[Submitted by United Brotherhood of Welders]

INTERNATIONAL UNION OF OPERATING ENGINEERS. LOCALS No. 137, 137-A, AND
137-B, 307 WALNUT STREET, YONKERS, N. Y.

FEB. 9th, 1939.

Received from Arthur J. Cummings Five Dollars. Quit fee on acct L-137B.
\$5.00.

M. J. PARKINSON.

ORIGINAL—To be given to members.

MECHANIC'S DUE AND INSURANCE RECEIPT

LOS ANGELES, CALIF., ———, 19—.

Registered No. 475941.

No. 460722 E

Received from Bro. Arthur Joseph Cummings, C. C. from Lodge No. ———

Monthly Dues————— \$2. 70

Insurance Premium————— 1. 25

Total————— 3. 95

Received Payment,

Issued by Local No. 92.

E. V. BLACKWELL, per WEW.

[Month of November punched from list of months in margin.]

I had to join Laborers' Union to work as Welder's Helper at Parker Dam.

Joined Boilermakers Union to work as welder—Same job.

Joined Operating Engineers' Union in New York to weld on tunnel job.

Initiation Fee was \$150.00 and \$5 a month dues.

ARTHUR J. CUMMINGS.

EXHIBIT No. 274 *

[Submitted by United Brotherhood of Welders]

INDUSTRIAL UNION OF MARINE AND SHIPBUILDING WORKERS OF AMERICA

Affiliated with the Congress of Industrial Organizations

MEMBERSHIP BOOK

This is to Certify that the Bearer hereof—Name: Hawkey, Joseph, is a member of Local No. 9; Signature: ———; City of San Pedro; State: Calif.; Initiated: 1-15-41; Book of No.: 1729; Dept.: Comb. Welder; Initiation Fee: Pd.

F. C. SUBA, Jr., *Secretary*.

INTERNATIONAL BROTHERHOOD OF BOILERMAKERS, IRON SHIPBUILDERS AND HELPERS OF AMERICA

This book belongs to Joseph Hawkey, welder, West Virginia.

Age at Date of Initiation: 46 years; Registered No.: 515689; Initiated: August 13, 1941; Local No.: 92 of Los Angeles; State: California; Date last Reinstated: ———.

Social Security No.: ———.

Financial secretaries are required to fill out the above items complete.

INTERNATIONAL BROTHERHOOD OF BOILERMAKERS, IRON SHIPBUILDERS AND HELPERS OF AMERICA

This book belongs to Joseph F. Hawkey, Comb. Welder, Proctor, W. Va.

Age at Date of Initiation: 42 years; Registered No.: 471175; Initiated: 8-9-1937; Local No.: 169 of Detroit; State: Michigan; Date last reinstated: 6-27-6-28-39'

Social Security No.: 232-09-5554.

Financial secretaries are required to fill out the above items complete.

* Also attached to this exhibit was photostat of a membership book in the name of Joseph Hawkey, for the Steel Workers Organizing Committee which was not legible enough to copy.—Ed.

MECHANIC'S OUT-OF-WORK INSURANCE RECEIPT

PHOENIX, Oct. 30, 1939.

Registered No. 471175.

No. 40170 E.

Received from Bro. Joe F. Hawkey, C. C. from Lodge No. ———

Monthly Dues, .25

Insurance Premium, \$1.25

Total, \$1.50

Issued by Local No. 627.

Received Payment,

CITY WILNOY.

[Month of October punched from list of months in margin.]

This is to Certify that in consideration of Initiation fee of \$5.00, duly paid or transfer of Local Union No. 25, Joseph Hawkey, Welder, 162944, is hereby granted membership in the International Association of Bridge, Structural, and Ornamental Ironworkers by Local Union No. 25, Detroit, Mich., Nov. 8, 1937.

JACK THORPE, *President*.JACK O'CONNOR, *Financial Secretary*, 69 Erskine St.

EXHIBIT No. 275

[Submitted by United Brotherhood of Welders]

In March 1936 I was working on the construction of a bridge 25 miles from Stockton. I am a welder and was working at the welding trade at that time. I drove truck to and from the job every day, carrying the crew to the job and home every day. At that time I did not belong to any union. The Teamsters' Business Agent told me that I would have to join the Teamsters' Union and that they had jurisdiction over my work and everything would be taken care of when I joined their Union. I joined and paid \$25 initiation fees. About three months later I was approached by the Business Agents of the Machinists and was told that the Machinists had jurisdiction over all welding everywhere and that I would have to join the Machinists, and that belonging to their organization that would be the only one necessary to belong to. I joined on July 1, 1936, Local 364, International Association of Machinist. When that job was over I transferred to Oakland, Local 1546, Auto Mechanics, because the Machinist in that city had lost their charter because of an unauthorized strike.

In January 1938 I went to work on the construction of a new all-steel, all-welded gold dredge being constructed by the Western Pipe and Steel Co. of San Francisco. I had to join the Boilermakers Union. Initiation fee, \$26. I worked on the job ten days and a strike was called because of jurisdictional disputes.

I dropped the Boilermakers by not paying dues and continued the Machinists, and moved to San Diego to get away from strikes and went to work in the boat yards, under Machinists' jurisdiction over welders. Everything was fine until I left the boat yards and went to work for a structural steel erection Co. The National Iron Works of San Diego. I was forced to pay \$.12½ per hour or \$1 per day permit to the Ironworkers' Union, Local 229, for the privilege of working at my trade on steel erection. I am inclosing one receipt as evidence.

In July 1940 I obtained a California State contractor's license because I had started in business for myself, and was doing considerable contract work but continued to carry my membership with the Machinists because most jobs required a union card for everybody working on those particular jobs, regardless of whether they were being done by contract or not.

In January 1941 I went to work on the construction of the Consolidated Aircraft Building welding steel caps on steel piling. At the start of the job the pile drivers were going to claim jurisdiction because of the work being connected with pile driving but the iron workers won out because the piling was

steel. I worked on the job for three and one half months and considerable pressure was put on me to join the Iron Workers Union. On March 20, 1941, I paid \$14.00 initiation fees in the Iron Workers Local 229. Their dues at that time was \$5.50 per month. The job was finished the 30th of March. My application was sent to Kansas City for acceptance and in the meantime I contracted on April 1st to weld some air and gas pipe in the new Rohr Aircraft Building in Chula Vista; after about one week I was approached by the Business Agent of the Steam Fitters Union Local 230 and was told I would have to join the Steamfitters Union if I wanted to finish the job. The Business Agent threatened to pull off all plumbers and throw a picket line around the place if I didn't join. I gave the Business Agent \$10 at that time and I told him I would pay the \$40 balance when I was initiated. He told me it would cost me 25% of what I made until the \$40 was paid. I paid the \$40. After I was initiated I had to pay \$6 for a welding examination, \$3 for examiners and \$3 for welding equipment rental; although I have my own welding equipment I was not allowed to use my own equipment but had to pay for use of equipment from a local welding shop which takes in as high as \$75 a nite for these examinations. My State welding certification papers were not recognized by this local as proof of my ability but was forced to pay for and take their examination. Incidentally the cost of a State certification costs \$50.00 considering time, material and machine work necessary on welding samples, and equipment necessary to complete test.

Due to the circumstances I never appeared for initiation in the Iron Workers Union because a member must be a member in good standing with dues paid up for at least 1 year before a withdrawal card will be issued, or in other words a withdrawal card will cost \$66. Therefore I never received a card from the Iron Workers. My card No. in Machinists is 889231, my card No. in Steam Pipe Fitters is _____.

My card No. in our newly organized Welders Union is 6139.

These statements are true and any error if any is due to faulty memory.

VERNON MCCHESENEY.

EXHIBIT No. 276

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE

S14 United States Court House

SEATTLE, WASHINGTON

MELVIN H. TIPPPIE, Route 4, Box 272, Tacoma, Wash.

Interviewed by Vance, October 30, 1941

Tippie was a member of the Machinists Union from August 1939 until March 12, 1940. Was a member of the Iron Workers Local 581 from March 1939 to August, 1939. Was a member of the Boilermakers Union in 1918, dropped in 1921, reinstated in 1940, and member until the present.

Mr. Tippie was employed at the Western Steel Casting Company when that company was organized by the Machinists in August 1939. He believes he paid \$15. The foreman at Western Steel then wanted to loan him to the Star Iron & Steel Company to do some burning at that company. It was the same kind of work he had been doing at Western Steel but inasmuch as the Iron Workers union had organized the Star Iron and Steel Company he was told that he would have to join the Iron Workers union. He refused to pay anything to the Iron Workers as he was not very anxious to work over there anyway, so they made him a member free of charge and he went over to Star Iron and Steel to work. However, while he was there he was forced to pay dues to both the iron workers and machinist unions. He believes the amount was \$1.00 per month to the Iron Workers and \$2.00 per month to the Machinists.

From there he went to work at the Bremerton Navy Yard where he needed no union card. However, during the time he was there he kept both cards in force by paying dues to both unions.

Upon leaving the Navy Yard he went to work at the Western Steel which, by that time, had changed its name to the Johnson Engineering Company. He was employed there 30 days. From there Mr. Tippie went to work at the Seattle-Tacoma shipyards through the Boilermakers, Local 568. There is a story in connection with this:—

Inasmuch as the Boilermakers had, or were claiming, jurisdiction over all welding in the Seattle Tacoma yards, Mr. Tippie went to the Boilermakers Local and showed his machinists' card. The business agent told him to get the hell out because they were not putting any machinists to work. He would not even send Tippie out to take the welders test. Tippie then went back to the business agent of the Machinists union who told him that there had been personal trouble between himself and the business agent of the Boilermakers Union, but that he did not believe that such difficulty should stand in the way of Tippie's being employed at the shipyards and he made an effort to get the Boilermakers to accept Tippie, but was unsuccessful.

Tippie, however, was personally acquainted with George Morgan, who was the superintendent at the shipyards. He called Morgan and told him what had happened and that he wanted to take the welders test. Morgan told him to come on out and he would see that he got the test, which was done. Tippie then proceeded to wait for a call. Some time later (there is some confusion as to exactly how much time) Tippie received a call from Morgan who said "Why in the hell aren't you out here, you passed the test." Tippie told him that he had not received a call from the union to go to work. Morgan stated then to Tippie that he had several such cases and that he had to put in a call for 15 welders and only got 5 and that he was going to look into it. Morgan later told Tippie that this was what happened: Morgan, calling the business agent of 568, said "How about my 15 welders?" to which the business agent replied that he did not have any welders. Morgan told the business agent that he knew this was untrue and that he knew of several instances of men who had taken and passed the test and were home waiting for a call. The business agent at this time was one Byers. Byers thereupon called Tippie to report to the Union office and sent him to work at the shipyards. Tippie then paid \$31.25 for reinstatement in the Boilermakers Union.

At the shipyards he did practically all kinds of welding. He went to work at the yards on March 5, 1940, and said that amongst other welding which he did was machinist welding. He did not believe, however, that he did any iron work.

EXHIBIT No. 277

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
434 Federal Office Building
SEATTLE, WASHINGTON

OCTOBER 30, 1941.

James F. Wedgeworth, Route 3, Box 1004B, Auburn, Washington.

Interviewed by Gareth M. Neville, October 30.

At the time of the strike Wedgeworth was a member in good standing of the Boilermakers Local 568 of Tacoma. He has worked as a welder for the past fifteen years, part of which time was spent as a welding foreman for the United States Bureau of Engineers. This work made it necessary for Wedgeworth to travel to different parts of the United States. The last such job was completed on August 27, 1940, and Wedgeworth returned to Portland, Oregon, his former home. He attempted to obtain work as a welder. He was informed by the business agent of Local 72 of the Boilermakers, Tom Ray, that there was a good demand for welders in Portland, but in order to obtain a job it would be necessary to pay a permit fee of \$1.00 a day for an indefinite period. Inasmuch as Wedgeworth could obtain no satisfactory information as to when he would be allowed to join the Union and thus stop paying the \$1.00 a day permit fee, he refused to enter into the agreement with Ray and as a result was forced to leave Portland in order to work at his trade.

Wedgeworth proceeded to Tacoma and obtained a job as a welder in the Seattle Tacoma Ship Yards. He joined the Boilermaker Union in Tacoma, Local 568, and paid an initiation fee of \$30.00. He was not required to pay permit money.

On September 30, 1940, he returned to Portland and attempted to obtain welding work on a pipe line then being installed. The business agent of the Plumbers and Steamfitters Union having jurisdiction over the pipe line work refused to honor Wedgeworth's Boilermakers card and said it would be necessary for Wedgeworth to pay a permit fee of 50¢ a day for an indefinite period, or until accepted by the Union and then pay an initiation fee of \$80.00. Wedgeworth refused this deal and again returned to Tacoma where he worked until the strike.

Wedgeworth said that he has positive proof that Ray, the business agent for Local 72 in Portland, made a practice of preventing members of his Union in good standing from working, and putting in their place non-union men, or members of other unions, and collecting from such individuals \$1.00 permit money. Wedgeworth contended that the following individuals would back him up in the above statement: Tom Stigm, Hillsborough, Oregon; Ralph Beeler, Portland, Oregon. Beeler is presently employed by the J. E. Hazelstine Company.

GARETH NEVILLE,
Special Attorney.

EXHIBIT No. 278

[Submitted by United Brotherhood of Welders]

Rt. 1, Box 127, WESTMINSTER, CALIF.,
August 17, 1941.

Mr. BILL MASSEY,

Pres. United Weldors, Cutters & Helpers of America,

DEAR SIR: As requested in your communication dated August 12th, I am offering you the following information to aid the government in its investigation of the Weldors problems:

I have belonged to the following unions: A. F. L. Machinist, C. I. O. Shipyard Workers, A. F. L. Boiler Makers, United Weldors, Cutters & Helpers of America.

At the present time I belong to the following unions: United Weldors, Cutters & Helpers of America, A. F. L. Boiler Makers, C. I. O. Shipyard Workers.

I have been forced to pay dues on two cards at the same time.

I have been considerably inconvenienced, but not discriminated against due to the multiple card racket.

At the present time at the California Shipbuilding Corp. a man can't express his opinion about, or for a Union for Weldors, Cutters, and Helpers.

Fraternally yours,

W. E. MILLS.

EXHIBIT No. 279

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE

814 United States Court House

SEATTLE, WASHINGTON

Jack Black, 2803 Boylston Avenue, No., Tel. East 6112.

Interviewed by Neville, October 29, 1941.

I have been a member of the Machinist's Union in Spokane since May, 1938. In Seattle I was unable to work under my Machinist's card. Edwards, the local business agent, told me that he had a lot of local welders out of work.

So then I called on the Boilermaker's Union. Doug Fowler refused to recognize my card from the Spokane Machinist's Union. I asked for work in the shipyards and Fowler said this came under the jurisdiction of the Boilermaker's Union and that I would have to join that Union.

On January 2, 1941, I started to work at Todd's on permit. Fowler said I would have to pay \$1.25 per week until I was initiated, which would be in two weeks. Then I would have to pay \$30 for the initiation fee. I was initiated February 22, 1941 after paying about \$12. in permit money and \$30. initiation fee.

During the time I was working on permit the fee was raised from 25¢ to \$1.00 a day. Nelson said I would have to pay the \$1.00 a day and I objected to paying that much. They didn't force me to pay more.

At the shipyard I did pipe and machinist welding. But I had to have a Boilermaker's card to get on the job. You can't have two welding cards in force at one time, which makes it necessary to join a different union practically each time you change a job.

EXHIBIT No. 280

[Submitted by United Brotherhood of Welders]

This is to certify that in consideration of Initiation fee of \$5.00 duly paid Local Union No. 433, Vilus V. Davis, Welder, 199962, is hereby granted membership in the International Association of Bridge, Structural and Ornamental Iron Workers By Local Union No. 433, of Los Angeles, Cal., Apr. 22, 1941.

W. J. STARR, *President.*JIM CHEELY, *Financial Secretary.*

706 Valencia Street, Los Angeles, Calif.

[Back]

I. A. B. S. & O. I. W.

IDENTIFICATION SHEET

My permanent address is _____ Date _____ 19____
In case of accident or serious illness, please notify _____, Whose address is _____
Social Security number _____

No. 482927

OFFICIAL PERMIT, INTERNATIONAL ASSOCIATION OF BRIDGE, STRUCTURAL AND ORNAMENTAL IRON WORKERS

Local Union No. 433
4-12, 1941.

This permit issued to V. V. Davis entitles him to work until 4-26, 1941, and is void thereafter unless renewed by Examining Board or Business Agent.
Steward Collect For Pending Obligation.
Issued by:

J. R. REASONER.

No. 456867

OFFICIAL PERMIT, INTERNATIONAL ASSOCIATION OF BRIDGE, STRUCTURAL AND ORNAMENTAL IRON WORKERS

Local Union No. 433
3-18, 1941.

This permit issued to V. V. Davis, entitles him to work until Mar. 25, 1941, and is void thereafter unless renewed by Examining Board or Business Agent.
Steward Collect for _____
Issued by:

M. E. EMERSON.

No. 224220

OIL WORKERS INTERNATIONAL UNION, LOCAL NO. 128, DATE MAR. 5, 1941
Rec'd of V. V. Davis, \$5.00
Local Secretary to issue Official Dues Card.

O. E. FORSYTH, *Steward.*

This is not an official receipt
[Month of March indicated by "X."]

A 215699

OFFICIAL PERMIT, INTERNATIONAL ASSOCIATION OF BRIDGE, STRUCTURAL AND ORNAMENTAL IRON WORKERS

Local Union No. 433
3-25, 1941.

Received of V. V. Davis, Ten and Fifty-one hundredths Dollars, For Init fee, etc.
Received by:

J. R. REASONER.

EXHIBIT No. 281

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE

814 United States Court House

SEATTLE, WASHINGTON

J. E. Vaughan, General Delivery, Kirkland, Washington.

Interviewed by Vance on October 28, 1941.

I have a permit card with the Boilermakers. I am a member of the Machinists Union, A. F. of L., which union I joined in August of 1941. Prior to that time I was with C. I. O. Woodworkers and got a withdrawal card.

I worked at Lamb's Machine Company, in Hoquiam, as a Machinist Welder. I have been up here seven weeks. I went down to the Boilermakers as when I left Aberdeen they told me I could transfer my Machinists card into the Boilermakers. I found I couldn't, after I got up here. George Nelson told me I would have to pay \$60 within 60 days—could either pay it \$20 at a time (no less than \$20) or \$60 all at once.

I have worked at Lake Washington Shipyards ever since coming here. I have really done Boilermaker welding—at least, that is what it is classified as. I haven't paid anything on the permit money at all.

EXHIBIT No. 282

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE

434 Federal Office Building

SEATTLE, WASHINGTON

OCTOBER 30, 1941.

Vernon E. Lasater, 1006 South "I" Street, Tacoma, Washington.

Interview by Gareth M. Neville, October 30.

At the time of the strike Lasater was working under the jurisdiction of Local 568 of the Boilermakers at the Seattle-Tacoma Ship Yards. Lasater, prior to March of 1937, was employed as a welder at Fort Peck. He said that after the welding job at Fort Peck ended he obtained a job with a road-construction gang operating out of Cle Elum, Washington; the firm of Woodworth & Cornell was in charge. After being hired by this firm, he was assigned to operating a pump. However, before he could actually operate the pump, he was forced by his employer to join the Hod Carriers Union. This cost \$11.00. After finishing the construction job, he obtained work in a sawmill. He found that his Hod Carriers card was of no use and as a result he was forced to join the Saw Mill Workers union and pay an initiation fee of \$10.00. This occurred in September of 1939. Lasater arrived in Tacoma during April of 1940, and obtained work at the Seattle-Tacoma Ship Yards. However, before being permitted to go to work, he was forced by the personnel director at the Yards to obtain a card from the Boilermakers Union. This card cost him \$30.00. He was not required to pay permit money. He does not know why.

While working at the Seattle-Tacoma Yards as a welder, he has been doing work which he would consider to be under the jurisdiction of the Machinists, Boilermakers, and Steamfitters. He said that the Boilermakers were able to enforce jurisdiction over all of this work because of a deal "made by heads of the Metal Trades Unions." He explained that the rank and file have never been given a chance to vote on this arrangement.

At the close of the interview, Lasater volunteered the information that 80% of the workmen at the Seattle-Tacoma Yards are in sympathy with the welders. He said that "only certain grafting Union officials are endeavoring to prevent us from forming our own union."

GARETH, M. NEVILLE, *Special Attorney.*

EXHIBIT No. 283

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE

814 United States Court House

SEATTLE, WASHINGTON

Charles R. Vanderlinde, 332 Second Avenue N., Seattle, Washington (may be reached through El 2938).

Interviewed by Gareth M. Neville on October 28, 1941.

Worked at Seattle-Tacoma Shipyards at time strike was called; had been there about two months and is in process of becoming a member of 541; also took out membership in Machinists' Union in April 1941 at Yakima; replied, "Yes, that's right," to question that theoretically he should be able to do any kind of machinist welding under Machinists' card; said he showed his Machinists' card to George Nelson and was told it was no good; also told that Boilermakers had jurisdiction over entire Seattle-Tacoma Yard; told it was necessary to pay full amount of initiation and permit money; said that for two nights they tried to go according to A. F. of L. jurisdiction over the local union they had hired out from and that the representatives said if they didn't do the work they would be fired from 541; I refused to do machinists' welding for two nights and they told me that my card was very likely to be pulled—was told by the official * * * but the A. F. of L. ruling says that the hall you hire out from * * * you're only supposed to do that kind of work; the 541 wouldn't recognize my machinists card; I paid \$40; theoretically, I will have to pay another \$20; when paid money, George Nelson and two different women were in office; believes payments cover initiation fee—\$60 60 days. "Well, I waited for three weeks and paid the first \$20; he said I was delinquent and to never let it happen again; every 20 days I was supposed to pay \$20; I brought up question of machinists' card to George Nelson the second time; he still said he didn't have to recognize it; he said this was under the jurisdiction of the Boilermakers. Vanderlinde said he knew for a fact that he was doing machinist work; said machinists with whom he worked didn't like idea of his using a Boilermakers' card * * * but didn't do anything; said that George Nelson said that he was supposed to weld anything that was properly set up and properly ventilated. Said Boilermakers claim jurisdiction because of Master's Agreement. Said he had never made objection to practices in open meeting because not a member yet * * * you can't go to a meeting until you carry a book. Said he had never been threatened with violence. Promised to keep card for information of this office.

EXHIBIT No. 284

[Submitted by United Brotherhood of Welders]

[Copy]

DEPARTMENT OF JUSTICE

434 Federal Office Building

SEATTLE, WASHINGTON

OCTOBER 30, 1941.

Robert N. Buckholz, Route 6, Box 209X, Tacoma, Washington.

Interviewed by Gareth M. Neville, October 30.

Buckholz was working at the Seattle-Tacoma Ship Yards at the time the strike was called. Buckholz's story was as follows: He started to work at the Coulee Dam project in October of 1938. In order to obtain any work on the job he was required to join Boilermakers Local 691. This cost him a total of \$17.50. He was not required to pay permit money. In January of 1939, a Mr. Murray, personnel director of the Dam, informed Buckholz that it would be necessary for him to join a sheet metal workers union which was then being formed in order to continue to work on the Coulee project. The initiation fee charged by this

Union amounted to \$15.00. However, Buckholz was aware of the fact that his card in the Sheet Metal Union, which was purely a local affair, would be worthless as soon as he left the Grand Coulee project, so he continued to pay dues to the Boilermakers Union. The type of work done by Buckholz was the same during the entire period. He said that as far as he could determine there was no reason for forcing all of the men on the job to join this second union.

Buckholz arrived in Tacoma in October of 1940, and started work as a welder at the Seattle-Tacoma Ship Yards. He took his Boilermakers card to Local 568 of the Boilermakers Union and was issued a new card without paying any additional fee whatsoever. Buckholz was unable to explain why he had been given a new card without additional cost, when all of his friends had been charged varying sums by the Union.

GARETH M. NEVILLE,
Special Attorney.

EXHIBIT No. 285

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
814 United States Court House
SEATTLE, WASHINGTON

Craig E. Vining, 2803 Boylston N., Seattle, Washington, East 6112.
Interviewed by Daly on October 29, 1941.

I was initiated into the Boilermakers Local 541 on April 22, 1941. I paid a total of about \$37 for my affiliation, part of which was paid while I was working at Pasco, which is under 541 out of Seattle.

I had been a member of Machinists Local 86 in Spokane for 3 or 4 years, doing only welding. When I went to Pasco to work for Owen Construction Co., I was given 5 days to join 541 or not work; I went to Pasco in July of 1940.

The procedure followed by 541 seems to be no different in my case than any other local, as all welders know that it costs money to change jobs, and that it is necessary to join the local at a particular job. Since I did not have to pay permit money, it cost me about what I figured to change jobs.

After coming to Seattle from Pasco, the Boilermakers 541 sent me to the Hydraulic Supply, where I did boiler and pipe welding for a week; I was then sent to Todd Dry Dock for 3 months, until July 1941, where I did all kinds of welding. I am now at the Seattle-Tacoma Ship Yards, where I am "lead" man in charge of an assembly.

EXHIBIT No. 286

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
814 United States Court House
SEATTLE, WASHINGTON

Charles J. Homiston, 3951 Graham Street, Seattle, Washington.
Interviewed by Vance on October 29, 1941.

From 1939 to the present time I have been a member in good standing of International Association of Bridge, Structural & Ornamental Ironworkers, Local No. 86 (Seattle). It cost \$15.00 to join the Ironworkers; I did welding.

I was a member of International Brotherhood of Boilermakers, Local 104, and paid some permit fees. I was initiated on August 10, 1937; it cost \$32.50. I was doing burner work in Seattle at the time.

In 1938 I went to work at Coulee. I transferred into the Welders at no cost. I worked there a year doing sheet-metal welding. When I quit I went to work for Bethlehem Steel Company doing Iron-workers welding, but the Boilermakers and the Iron-Workers had an agreement that the Boilermakers would get all the welding and the Iron-workers would get all riveting. Before I went to

Bethlehem, the Sheetmetal workers tried to get me to join. I was paying dues into the Boilermakers. An official of the Sheetmetal workers told me that if I wanted to keep on grout welding I would have to join—welding copper strips to keep water out of cement. I don't know what it would have cost to have joined the Sheetmetal workers. The Boilermakers gave up jurisdiction over grout welding to Sheetmetal workers.

After I left Bethlehem I came to Seattle and took clearance to Local 541. There was no charge because the original came out of here. I went to work at the Washington Iron Works, building pontoons—probably actually boilermaker welding.

In August of 1939 541 sent me to Ironworkers Local 86. I went to work at Pontoon Bridge Builders, 16th Avenue, S. W. I worked there about a month on free permit, welding or reinforcing steel, welding on shovels, welding on boilers and clam shells. Dick Tracey came out and told me I would have to join 86, so I paid \$15.50 into Local 86.

Simmons-Drake sent me to Alaska the 1st of April 1940. I worked under Local 86 and paid dues there in both unions. I paid \$6.00 to Ironworkers and \$3.25 to Boilermakers.

I have paid dues to both 541 and 86 since September or October 1940.

In Alaska I welded on tanks for gasoline and oil storage. It was not necessary to keep Boilermakers' card except that Fowler told me I would lose my insurance, and also, if I took a withdrawal card I didn't know how the boys would feel about taking me back when I returned to Seattle. There was Machinist, Ironworkers and Boilermakers welding.

I returned to Seattle April 2, 1941, and 541 sent me out to Todd's where I welded plates, bulkheads, and patched holes.

I went to California because I had sick relatives there and took 86 card with me. I had to pay \$2.00 *doby* fee at Oakland and worked there four days. The \$2.00 *doby* fee just lets them work.

I have been in Seattle two months. I worked out at Seattle-Tacoma—welded on longitudinals and vertical keels—transverse braces. I would call it boiler-makers welding.

About three months ago there was a dispute between Sheetmetal and Boilermakers out at Seattle-Tacoma. I can't tell you of any instance where work was done twice.

I was shop steward in Alaska. Simmons-Drake sent two men from Boilermakers who did work not properly under 86. The men got sore at me because I wouldn't take the men's dough and send it to 86. That was one reason why I left.

EXHIBIT No. 287

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
814 United States Court House
SEATTLE, WASHINGTON

A. W. ELLISON,

214 Summit Avenue North, Seattle, Washington; Capital 4596.

Interviewed by Vance on October 28, 1941.

I was a member of the Machinists Union—became a member about a year ago. I am not a member of any other union except Local 541 of the Boilermakers. I was a member of the local Machinists-Welders Union and worked here under that. When I first came from Wallace, Idaho, they wouldn't accept my transfer. I went back to Wallace and worked approximately two months. Then Markee Machinery sent for me, and I came here about the 1st of February. I worked for Markee about two months as a Machinist-Welder, and then I went into the Boilermakers Union April 7, 1941. At the same time others were paying \$120, I paid \$30 and was initiated, and that was all there was to it. They sent me to Todd Ship Yard. I was in the Machinists Union and in good standing when I had to join the Boilermakers. I was welding pipe, some high-pressure steam welding, brazed up a tail shaft, and that work was done in the shop in a lathe; I also did pipe and armour plates; no sheetmetal welding.

When I joined the boilermakers, Nelson tried to put me under the permit system. He said it was to prove my ability as a mechanic. He wanted \$90, but I said I couldn't see it. I don't know how my friends got my application through for \$30. I have been a welder about 20 years.

I have heard officials say they had jurisdiction over all the work in the ship yards. There was a squabble one time about a sheet metal welder we had at Todd's. At that time there was a lot of trouble because they wouldn't pull him off the job. That was in July or August.

I haven't the least doubt but that the permit money goes into the pockets of the officials. Otherwise, why should I only have to pay \$30?

EXHIBIT No. 288

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE

814 United States Court House

SEATTLE, WASHINGTON

Leo B. Marsh, Box 504, Puyallup, Washington.

Interviewed by Daly, October 29, 1941.

I joined the Boilermakers Local 691 at Grand Coulee Dam in the fall of 1937 as a welder's helper; this cost me \$15. I worked at this job until December 7, 1939; I was doing copper braising, which is probably sheet metal working.

Sometime in 1938, I was forced to join Local 434 of the Sheet Metal Workers Union as a welder's helper; I was given a day to join or not come back to work. This information came indirectly from a man by the name of Clise, an International Vice President of the Sheet Metal Workers. This cost \$11, and I let my Boilermakers card lapse.

I came to Seattle in December 1939, after the winter lay-off at Grand Coulee. At that time I was carrying only my Sheet Metal card and tried to get work through 383 (Sheet Metal Workers) here. I talked with the business agent, who kept my card; after three weeks of waiting for a call, I went again to see him: I was told that the card was no good and that this local (383) didn't recognize the classification of welder's helper. I was told the same thing in the Tacoma local.

Then, I had to go back into the Boilermakers to go to work in the shipyards. I was told that the only way that the Grand Coulee card would be honored would be for me to return to Grand Coulee and get my classification stepped-up from helper to welder and pay the difference in the initiation fee.

As stated, I got into the Boilermakers Local 568 in Tacoma as a helper by reinstatement from Local 691 at a cost of \$22.50. I began to work on February 28, 1940, at the Seattle-Tacoma Ship Yards. Under this classification, I was welding; about two months later I was reclassified as a welder and assessed an additional \$10. We were doing all type of welding in the shops.

EXHIBIT No. 289

[Submitted by United Brotherhood of Welders]

814 United States Court House

SEATTLE, WASHINGTON

Orville F. Walley, Route 2, Box 317, Tacoma, Wash.

Interviewed by Vance on October 30, 1941.

Walley was employed on the Grand Coulee Dam for 6 years. During the time that he was working there he was doing grout welding. The welders were all organized by the Boilermakers Local 691. Subsequently, Mersner, international vice president of the Boilermakers Union, told the men that they had had a dispute and had made a settlement with the Sheetmetal Workers union whereby all the grout welders would have to join the Sheetmetal Workers Union. Upon objection by the men, R. W. Clise, of the Sheetmetal Workers Union, said that if

they did not join up they would bring in sheetmetal workers and run the employees off their jobs. Inasmuch as all these welders were at times required to do other welding, they found it necessary to join the Sheetmetal Workers Union and at the same time to maintain their membership in the Boilermakers Union. Walley paid dues to both unions for a period of two years, in the amount of \$8.50 per month.

Subsequent to the Coulee employment, Walley was employed at the Friant Dam at Fresno, California. The Boilermakers Local 691 was moved from Coulee to Friant. The initiation fee into the Sheetmetal Workers Union at Friant was \$100 and inasmuch as only \$3 of the \$15 previously paid by these men to the Sheetmetal workers Union at Coulee was charged as initiation fee, they were all told that they would have to pay \$97 additional to the Sheetmetal local at Friant (it is customary when transferring from one local to another for the union member to pay the differential between the initiation fee between the two locals). However, Ralph Adams, who had been president of the Boilermakers Union at Coulee, knew something about the union bylaws and rules and he worked out some kind of a fast deal whereby it took the Kansas City office of the Sheetmetal Workers Union ten months to find out that these men had not paid the \$97 and to get them off the job. Walley never did pay the \$97 but left the job. During the time that he was there, he was paying dues to both unions and doing all kinds of welding.

EXHIBIT No. 290

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
434 Federal Office Building
SEATTLE, WASHINGTON

OCTOBER 30, 1941.

Charles Seidmore, 5614 South Jeanette, South Tacoma, Washington, Telephone: Garland 6603.

Interviewed by Gareth M. Neville, October 29.

Seidmore has been a member of the Machinists Local 102 in Tacoma for the past six years, during which time he was employed in the railroad shops. About a month ago he quit the railroad and went to work as a welder under the jurisdiction of the Plumbers and Steamfitters Local 82. Seidmore has not as yet applied for membership in this Local. As a result, he has been forced to pay 2% of all his earnings to the Local for the privilege of hiring out of its hall and doing welding work under its jurisdiction. The 2% paid equals about \$1.10 a week. Seidmore explained that if he didn't have a Machinists welding card, it would be necessary for him to pay the Plumbers and Steamfitters Union a total of \$1.00 a day permit money for each day worked.

Seidmore has never been asked to join the Boilermakers Union. He is doing welding that is clearly under the jurisdiction of the Plumbers and Steamfitters Union and so feels that this Union has every right to charge him the 2% permit fee. He did say, however, that his own Union, the Machinists, recognized any Union card and would grant transfers to any Union man in good standing and capable of doing machinists' work.

GARETH M. NEVILLE,
Special Attorney.

EXHIBIT No. 291

[Submitted by United Brotherhood of Welders]

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDERS, CUTTERS & HELPERS OF AMERICA

No. 1—Name the unions you now belong to: 37. C. I. O.: _____ A. F. of L.: 250-92. U. W. C. & H. of A.: _____

No. 2—How many unions have you ever belonged to: 3. C. I. O. _____ A. F. of L.: 2. U. W. C. & H. of A.: 1.

- No. 3—What unions have you been forced to join to be able to make a living: 250-92.
 No. 4—To what unions have you paid overlapping dues: 3.
 No. 5—To what unions have you been forced to pay permit fees: 250. C. I. O.: ----- A. F. of L.: X. U. W. C. & H. of A.: -----
 No. 6—To what unions have you belonged and paid permit fees in other places to a corresponding local: -----
 No. 7—What is the union of your own choosing: ----- C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: X.
 No. 8—In what unions have you been forced to pay dues in advance to get a withdrawal card: -----
 No. 9—In what unions have you been refused a transfer: 250.
 No. 10—In what unions have you been refused a clearance card and forced to pay permit money: 250. In what town: South Gate, Calif. How much: \$40 per mo.
 No. 11—What union has threatened or discriminated against you: -----
 By whom: -----
 No. 12—Have you ever been forced off on defense work by any union: -----
 By what union: -----

Signed: J. W. Briscoe,

Address: R. T. 1, Box 918-J, Hawthorne, Calif.

Witness: Paul C. Gregory,
 Address: 727 York Ave., Hawthorne, Calif.

Witness: E. E. Leeper,
 Address: 4609 S. Hoover St., L. A.

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDERS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: ----- C. I. O.: ----- A. F. of L.: A. F. of L. U. W. C. & H. of A.: -----
 No. 2—How many unions have you ever belonged to: ----- C. I. O.: ----- A. F. of L.: 3. U. W. C. & H. of A.: -----
 No. 3—What unions have you been forced to join to be able to make a living: A. F. L. Boilermakers & Steamfitters & Refrigerators.
 No. 4—To what unions have you paid overlapping dues: Boilermakers & Fitters.
 No. 5—To what unions have you been forced to pay permit fees: ----- C. I. O.: ----- A. F. of L.: A. F. of L. U. W. C. & H. of A.: -----
 No. 6—To what unions have you belonged and paid permit fees in other places to a corresponding local: Boilermakers in St. Louis, Mo.
 No. 7—What is the union of your own choosing: U. W. C. & H. of A. C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 8—In what unions have you been forced to pay dues in advance to get a withdrawal card: A. F. of L. Refrigerators No. 19.
 No. 9—In what unions have you been refused a transfer: A. F. of L. Refrigerators.
 No. 10—In what unions have you been refused a clearance card and forced to pay permit money: Boilermakers in St. Louis, Mo. In what town: St. Louis, Mo. How much: \$2 per day.
 No. 11—What union has threatened or discriminated against you: A. F. of L. By whom: Local No. 19 Plumbers.
 No. 12—Have you ever been forced off on defense work by any union: -----
 By what union: -----

Signed: O. D. Rust,

Address: 314 W. 6th St., Salt Lake City.

Witness: -----

Address: -----

Witness: Chester H. Wilson,

Address: Boston Hotel, Local 6, Salt Lake City.

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDORS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: Steamfitters. C. I. O.: -----
A. F. of L.: A. F. of L. U. W. C. & H. of A.: -----.
- No. 2—How many unions have you ever belonged to: ----- C. I. O.: -----
A. F. of L.: A. F. of L. U. W. C. & H. of A.: -----
- No. 3—What unions have you been forced to join to be able to make a living:
Steamfitters & Boilermakers.
- No. 4—To what unions have you paid overlapping dues: Steamfitters.
- No. 5—To what unions have you been forced to pay permit fees: ----- C. I.
O.: ----- A. F. of L.: A. F. of L. U. W. C. & H. of A. -----.
- No. 6—To what unions have you belonged and paid permit fees in other places
to a corresponding local: Steamfitters.
- No. 7—What is the union of your own choosing: U. W. C. & H. of A. C. I. O.:
----- A. F. of L.: ----- U. W. C. & H. of A.: -----.
- No. 8—In what unions have you been forced to pay dues in advance to get a
withdrawal card: -----.
- No. 9—In what unions have you been refused a transfer: Steamfitters.
- No. 10—In what unions have you been refused a clearance card and forced to
pay permit money: Steamfitters. In what town: St. Louis, Mo. How much:
\$0.50 per day.
- No. 11—What union has threatened or discriminated against you: ----- By
whom: A. F. of L.
- No. 12—Have you ever been forced off on defense work by any union: -----
By what union: Steamfitters & Plumbers No. 19.

Signed: Winford N. Mitchell,

Address: 1457 So. Main Ave., Salt Lake City, Utah.

Witness: Orson D. Rust,

Address: 314 W. 6th St.

Witness: Christie H. Wilsue,

Address: Boston Hotel, Salt Lake City.

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDORS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: ----- C. I. O.: ----- A. F. of
L.: Loc. #92. U. W. C. & H. of A.: #37.
- No. 2—How many unions have you ever belonged to? Four. C. I. O.: One.
A. F. of L.: Three. U. W. C. & H. of A.: -----
- No. 3—What unions have you been forced to join to be able to make a living?
A. F. of L. Boilermakers 92, Iron Workers 433, Pipe Fitters #92.
- No. 4—To what unions have you paid over-lapping dues? -----
- No. 5—To what unions have you been forced to pay permit fees? ---- C. I. O.:
----- A. F. of L.: A. F. of L. U. W. C. & H. of A. -----
- No. 6—To what unions have you belonged and paid permit fees in other
places to a corresponding local? -----
- No. 7—What is the union of your own choosing? U. W. C. & H. of A. SIO:
No. A. F. of L.: No. U. W. C. & H. of A. -----
- No. 8—In what unions have you been forced to pay dues in advance to get
a withdrawal card? -----
- No. 9—In what unions have you been refused a transfer? Boilermaker Oakland,
Cal., #681.
- No. 10—In what unions have you been refused a clearance card and forced to
pay permit money? ----- In what town? ----- How much? -----
- No. 11—What union has threatened or discriminated against you? 92. By
whom? Allen Bus. Agent.
- No. 12—Have you ever been forced off defense work by any union? No,
But was threatened. By what union?

Witness: Al Bocko.

Address: 2715 Pepper Ave.

Witness: -----

Address: -----

Signed: John Remmerde, 4612 W. 17th St., Los Angeles, California.

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDORS, CUTTERS & HELPERS OF AMERICA

No. 1—How many times have you been inconvenienced or discriminated against due to multiple cards racket:

Name the unions you now belong to: ----- C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A. -----

No. 2—How many unions have you ever belonged to? 2. C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: ----- Have you been discriminated against for talking about the multiple card racket? Yes.

No. 3—What unions have you been forced to join to be able to make a living?----

No. 4—To what unions have you paid over-lapping dues? 1.

No. 5—To what unions have you been forced to pay permit fees? ----- C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: -----

No. 6—To what unions have you belonged and paid permit fees in other places to a corresponding local? None.

No. 7—What is the union of your own choosing? ----- CIO: ----- A. F. of L.: ----- U. W. C. & H. of A.: -----

No. 8—In what unions have you been forced to pay dues in advance to get a withdrawal card? -----

No. 9—In what unions have you been refused a transfer? -----

No. 10—In what unions have you been refused a clearance card and forced to pay permit money? ----- In what town? ----- How much? -----

No. 11—What union has threatened or discriminated against you? ----- By whom? -----

No. 12—Have you ever been forced off of defense work by any union? ----- By what union? -----

In what way have you been discriminated against for talking about or for a Union for Weldors, Cutters & Helpers[Lost job Illinois Central R. R. All can't be told on this card.

Lost job: Illinois Central R. R. All can't be told on this card.

Witness: -----

Address: -----

Witness: -----

Address: -----

Signed: Harry R. Marsallis, McComb, Miss., 317 No. Cherry St.

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDORS, CUTTERS & HELPERS OF AMERICA

No. 1—Name the unions you now belong to: ----- C. I. O.: ----- A. F. of L.: 433. U. W. C. & H. of A.: yes.

No. 2—How many unions have you ever been belonged to? ----- C. I. O.: warehouseman. A. F. of L.: 433. U. W. C. & H. of A.: 37.

No. 3—What unions have you been forced to join to be able to make a living? 433 C. I. O. Warehouseman's local.

No. 4—To what unions have you paid over-lapping dues? 433 & 37.

No. 5—To what unions have you been forced to pay permit fees? C. I. O. C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: -----

No. 6—To what unions have you belonged and paid permit fees in other places to a corresponding local? -----

No. 7—What is the union of your own choosing? ----- CIO: ----- A. F. of L.: ----- U. W. C. & H. of A. #37.

No. 8—In what unions have you been forced to pay union dues in advance to get a withdrawal card? -----

No. 9—In what unions have you been refused a transfer? C. I. O. to A. F. of L. and visa versa.

No. 10—In what unions have you been refused a clearance card and forced to pay permit money? ----- In what town? ----- How much? -----

No. 11—What union has threatened or discriminated against you? C. I. O. By whom? Shop Stewart at Crane Co. L. A.

No. 12—Have you ever been forced off of defense work by any union? -----
 By what union? -----
 Witness: R. D. Reid.
 Address: 615 Fir St., Inglewood, Cal.
 Witness: J. W. Massey,
 Address: 7207 Myrtle, Long Beach, Calif.
 Signed: Carl M. Jacobi, 3070 Redwood, Lynwood, Cal.

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDERS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to ----- C. I. O.: ----- A. F. of L.: #92. U. W. C. & H. of A.: Local #37.
 No. 2—How many unions have you ever belonged to? ----- C. I. O.: #270 & A. F. of L. # 92 & 433. U. W. C. & H. of A. Local #37.
 No. 3—What unions have you been forced to join to be able to make a living? A. F. of L. Local #92 and #433.
 No. 4—To what unions have you paid overlapping dues? A. F. of L. #92 & #433.
 No. 5—To what unions have you been forced to pay permit fees? ----- C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 6—To what unions have you belonged and paid permit fees in other places to a corresponding local? -----
 No. 7—What is the union of your own choosing? U. W. C. & H. of A. C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: Yes.
 No. 8—In what unions have you been forced to pay dues in advance to get a withdrawal card? Must belong to #433 5 yrs. before you can get a withdrawal card.
 No. 9—In what unions have you been refused a transfer? No. 92 to #433.
 No. 10—In what unions have you been refused a clearance card and forced to pay permit money? ----- In what town? ----- How much? -----
 No. 11—What union has threatened or discriminated against you? #433 A. F. of L. Structural Iron Workers. By whom? Jim Cheely.
 No. 12—Have you ever been forced off of defense work by any union? ----- By what union? -----

Signed: Charles S. Weeks,
 Address: 6415 Haas Ave., Los Angeles, California.

Witness: C. M. Jacobi,
 Address: 3070 Redwood.
 Witness: C. E. Tillman,
 Address: 1124 3/4 W. 17th St. L. A.

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDERS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: ----- C. I. O.: ----- A. F. of L.: #92. U. W. C. & H. of A. 37.
 No. 2—How many unions have you ever belonged to? ----- C. I. O.: ----- A. F. of L.: #92. U. W. C. & H. of A.: 37.
 No. 3—What unions have you been forced to join to be able to make a living? #92.
 No. 4—To what unions have you paid overlapping dues? None.
 No. 5—To what unions have you been forced to pay permit fees? ----- C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 6—To what unions have you belonged and paid permit fees in other places to a corresponding local? -----
 No. 7—What is the union of your own choosing? ----- C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: #37.
 No. 8—In what unions have you been forced to pay dues in advance to get a withdrawal card? -----
 No. 9—In what unions have you been refused a transfer? -----
 No. 10—In what unions have you been refused a clearance card and forced to pay permit money? ----- In what town? ----- How much? -----
 No. 11—What union has threatened or discriminated against you? Yes. By whom? A. F. of L. #92.

No. 12—Have you ever been forced off of defense work by any union? ----- By
what union? -----

Signed: A. W. Kobernick,
Address: 239 16th St., Seal Beach, California.

Witness: Lloyd Taylor,
Address: 136 Mariposa Ave., Long Beach, Calif.
Witness: Geo. M. Lepp,
Address: 1239 W. 23rd, L. A.

EXHIBIT No. 292

[Submitted by United Brotherhood of Welders]

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDERS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: U. A. 250. C. I. O.: ----- A. F.
of L.: ----- U. W. C. & H. of A.: -----
No. 2—How many unions have you ever belonged to? 4. C. I. O.: ----- A. F.
of L.: ----- U. W. C. of H. of A.: -----
No. 3—What unions have you been forced to join to be able to make a living?
Boiler Makers, Pipe Line Welders.
No. 4—To what unions have you paid overlapping dues? 4.
No. 5—To what unions have you been forced to pay permit fees? ----- C. I. O.:
----- A. F. of L.: ----- U. W. C. & H. of A.: -----
No. 6—To what unions have you belonged and paid permit fees in other places
to a corresponding local? 393 U. A. 460.
No. 7—What is the union of your own choosing? United Welders. C. I. O.:
----- A. F. of L.: ----- U. W. C. & H. of A.: -----
No. 8—In what unions have you been forced to pay dues in advance to get a
withdrawal card? U. A. 393.
No. 9—In what unions have you been refused a transfer? U. A. 393.
No. 10—In what unions have you been refused a clearance card and forced to
pay permit money? 393 \$4.00, 21/12% of Salary. In what town? San Jose.
How much? -----
No. 11—What union has threatened or discriminated against you? ----- By
whom? -----
No. 12—Have you ever been forced off of defense work by any union? -----
By what union? Boilermakers.

Signed: N. L. Miller,
Address: 1524 Lincoln St., Bakersfield, Calif.

Witness: -----
Address: -----
Witness: -----
Address: -----

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDERS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: A. F. L. & C. I. O. C. I. O.: -----
A. F. of L.: ----- U. W. C. & H. of A.: -----
No. 2—How many unions have you ever belonged to? ----- C. I. O.: Yes.
A. F. of L.: Yes. U. W. C. & H. of A.: -----
No. 3—What unions have you been forced to join to be able to make a living?
A. F. L.
No. 4—To what unions have you paid overlapping dues? A. F. L.
No. 5—To what unions have you been forced to pay permit fees? ----- C. I. O.:
----- A. F. of L.: Yes. U. W. C. & H. of A.: -----
No. 6—To what unions have you belonged and paid permit fees in other places
to a corresponding local? -----
No. 7—What is the union of your own choosing? ----- C. I. O.: ----- A. F.
of L.: ----- U. W. C. & H. of A.: Yes.

- No. 8—In what unions have you been forced to pay dues in advance to get a withdrawal card? -----
 No. 9—In what unions have you been refused a transfer? -----
 No. 10—In what unions have you been refused a clearance card and forced to pay permit money? ----- In what town? ----- How much? -----
 No. 11—What union has threatened or discriminated against you? ----- By whom? -----
 No. 12—Have you ever been forced off of defense work by any union? ----- By what union? No; but expect to be any time now.

I hope you can use this without my signature as I can't take any chances having the A. F. L. know I feel this way as I would not want to be blackballed from the A. F. of L.

I wish to state that I had to pay the A. F. L. \$52.50 to be reinstated into the A. F. L. I got the job myself, the Union had nothing to do with me getting the job. All they did was to make me give them \$52.50 so I could go to work and pay them \$3.95 per month. The A. F. L. is just a grafting bunch of gangsters.

Witness: J. W. Massey.

Address: Box 901, — 72d St., Long Beach, Calif.

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDERS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: ----- C. I. O.: X. A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 2—How many unions have you ever belonged to? 2. C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 3—What unions have you been forced to join to be able to make a living? A. F. of L., Cannan's Workers & I. O. O. F., Nyrsof Amer 190.
 No. 4—To what unions have you paid overlapping dues? -----
 No. 5—To what unions have you been forced to pay permit fees? 2. C. I. O.: X. A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 6—To what unions have you belonged and paid permit fees in other places to a corresponding local? -----
 No. 7—What is the union of your own choosing? ----- C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: X.
 No. 8—In what unions have you been forced to pay dues in advance to get a withdrawal card? A. F. of L.
 No. 9—In what unions have you been refused a transfer? -----
 No. 10—In what unions have you been refused a clearance card and forced to pay permit money? ----- In what town? ----- How much? -----
 No. 11—What union has threatened or discriminated against you? A. F. of L., Cannery Workers. By whom? -----
 No. 12—Have you ever been forced off of defense work by any union? ----- By what union? -----

Signed: J. K. McMahon.

Address: 2238 Elm Ave., L. B., Calif.

Witness: J. W. Massey.

Address: 7207 N. Myrtle, Long Beach.

Witness: C. E. Tillman.

Address: 1124 3/4 W. 17th St., L. A.

NOVEMBER 10, 1941.

List of questions submitted to Weldors, Cutters & Helpers of America

- No. 1—Name the unions you now belong to: ----- C. I. O.: ----- A. F. of L.: A. F. of L. U. W. C. & H. of A.: -----
 No. 2—How many unions have you ever belonged to? ----- C. I. O.: ----- A. F. of L.: A. F. of L. U. W. C. & H. of A.: -----
 No. 3—What unions have you been forced to join to be able to make a living? A. F. of L.

- No. 4—To what unions have you paid overlapping dues? A. F. of L.
 No. 5—To what unions have you been forced to pay permit fees? ----- C. I. O.:
 ----- A. F. of L.: A. F. of L. U. W. C. & H. of A.: -----
 No. 6—To what unions have you belonged and paid permit fees in other places
 to a corresponding local? A. F. of L.
 No. 7—What is the union of your own choosing? U. W. C. & H. of A. C. I. O.:
 ----- A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 8—In what unions have you been forced to pay dues in advance to get a
 withdrawal card? A. F. of L.
 No. 9—In what unions have you been refused a transfer? A. F. of L.
 No. 10—In what unions have you been refused a clearance card and forced to
 pay permit money? A. F. of L. In what town? San Diego. How much? -----
 No. 11—What union has threatened or discriminated against you? A. F. of L.
 By whom? Local # 19.
 No. 12—Have you ever been forced off of defense work by any union? -----
 By what union? -----

Signed: Tommy Thompson.

Address: Salt Lake Trailer Court, Salt Lake City, Utah.

Witness: Orson D. Rust.

Address: 314 W. 6th St., Salt Lake.

Witness: Chester H. Wilson.

Address: Boston Hotel, Salt Lake City.

NOVEMBER 10, 1941.

List of questions submitted to Weldors, Cutters & Helpers of America

- No. 1—Name the unions you now belong to: ----- C. I. O.: ----- A. F. of L.:
 250 and 6. U. W. C. & H. of A.: -----
 No. 2—How many unions have you ever belonged to? ----- C. I. O.: -----
 A. F. of L.: 250 and 6. U. W. C. & H. of A.: -----
 No. 3—What unions have you been forced to join to be able to make a living?
 250 and 6, A. F. of L.
 No. 4—To what unions have you paid overlapping dues? None.
 No. 5—To what unions have you been forced to pay permit fees? ----- C. I. O.:
 Local 9. A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 6—To what unions have you belonged and paid permit fees in other places
 to a corresponding local? None.
 No. 7—What is the union of your own choosing? United Weldors. C. I. O.: -----
 A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 8—In what unions have you been forced to pay dues in advance to get a with-
 drawal card? Local #92, Boilermakers.
 No. 9—In what unions have you been refused a transfer? None.
 No. 10—In what unions have you been refused a clearance card and forced to pay
 permit money? None. In what town? ----- How much? -----
 No. 11—What union has threatened or discriminated against you? C. I. O. Local
 #9. By whom? -----
 No. 12—Have you ever been forced off of defense work by any union? -----
 By what union? C. I. O., Local 9.

Signed: H. E. Nelson.

Address: 3925 Prospect Ave., Apt. G., Culver City, Calif.

Witness: D. H. Downing.

Address: 1216 W. 91 St. L. A.

Witness: Paul Gregory.

Address: 727 York Ave.

NOVEMBER 10, 1941.

List of questions submitted to Weldors, Cutters & Helpers of America

- No. 1—Name the unions you now belong to: ----- C. I. O.: ----- A. F. of L.:
 ----- U. W. C. & H. of A.: -----
 No. 2—How many unions have you ever belonged to? ----- C. I. O.: -----
 A. F. of L.: 2. U. W. C. & H. of A.: #37.
 No. 3—What unions have you been forced to join to be able to make a living?
 A. F. of L.

- No. 4—To what unions have you paid overlapping dues? All 3 local. At present I am paying 3 locals.
 No. 5—To what unions have you been forced to pay permit fees? C. I. O.: C. I. O. A. F. of L.: ----- U. W. C. & H. of A. -----
 No. 6—To what unions have you belonged and paid permit fees in other places to a corresponding local? None.
 No. 7—What is the union of your own choosing? U. W. C. & H. of A. CIO: ----- A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 8—In what unions have you been forced to pay dues in advance to get a withdrawal card? None.
 No. 9—In what unions have you been refused a transfer? -----
 No. 10—In what unions have you been refused a clearance card and forced to pay permit money? C. I. O. In what town? San Pedro. How much? \$2.25 Per Day.
 No. 11—What union has threatened or discriminated against you? A. F. of L. Local 92 for Union Activities. By whom? -----
 No. 12—Have you ever been forced off of defense work by any union? No. By what union? -----

Signed: Louis Lanyk.
 Address: 3525 E. Broadway, Long Beach, Calif.

Witness: -----
 Address: -----
 Witness: -----
 Address: -----

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDERS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: ----- C. I. O.: ----- A. F. of L.: Yes. U. W. C. & H. of A.: Yes.
 No. 2—How many unions have you ever belonged to? ----- C. I. O.: Yes. A. F. of L.: ----- U. W. C. & H. of A. Yes, machinist.
 No. 3—What unions have you been forced to join to be able to make a living? All of them except the U. W. C. & H. of A.
 No. 4—To what unions have you paid overlapping dues? Machinist.
 No. 5—To what unions have you been forced to pay permit fees? Pipe-fitters & Plumbers. C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 6—To what unions have you belonged and paid permit fees in other places to a corresponding local? None.
 No. 7—What is the union of your own choosing? ----- C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: Yes.
 No. 8—In what unions have you been forced to pay dues in advance to get a withdrawal card? -----
 No. 9—In what unions have you been refused a transfer? -----
 No. 10—In what unions have you been refused a clearance card and forced to pay permit money? ----- In what town? ----- How much? -----
 No. 11—What union has threatened or discriminated against you? Boilermakers told me to draw my check and leave the country. By whom? Crow.
 No. 12—Have you ever been forced off of defense work by any union? No. By what union? But I know who has.

Signed: W. J. Faber,
 Address: 2004 W. Canton, Long Beach, Calif.

Witness: W. L. Hill,
 Address: 2450 A. Hayes Ave., Long Beach, Cal.
 Witness: J. W. Massey,
 Address: Box 901, 72nd St., Long Beach, Calif.

Answer to #9: One can transfer from boilermakers to pipe-fitters for \$12.50 but will have to drop boilermakers card, and join all over again in order to get back in the boilermakers.

I belong to boilermakers and would like to go out for more money in the same yard through pipe-fitters, but can't see how I could better my situation by going through all that agony.

No. 4: By the way, I was forced to take a hod-carriers card to do welding in Santa Maria.

Have had to join a manufactured pipe line union which originated through Macco-Robertson. Branch of A. F. L.

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDERS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: U. A. & Boilermakers. C. I. O.: -----
A. F. of L.: Yes. U. W. C. & H. of A. -----.
- No. 2—How many unions have you ever belonged to? 2. C. I. O.: -----
A. F. of L.: Yes. U. W. C. & H. of A.: -----.
- No. 3—What unions have you been forced to join to be able to make a living?
United Associators & Boilermakers.
- No. 4—To what unions have you paid over-lapping dues? U. A. & B. M.
- No. 5—To what unions have you been forced to pay permit fees? None. C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A. -----.
- No. 6—To what unions have you belonged and paid permit fees in other places to a corresponding local? -----.
- No. 7—What is the union of your own choosing? U. W. C. & H. of A. C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: Yes.
- No. 8—In what unions have you been forced to pay dues in advance to get a withdrawal card? United A. & Boilermakers.
- No. 9—In what unions have you been refused a transfer? None.
- No. 10—In what unions have you been refused a clearance card and forced to pay permit money? None. In what town? None. How much? None.
- No. 11—What union has threatened or discriminated against you? A. F. of L. By whom? U. A. L. U. # 19.
- No. 12—Have you ever been forced off of defense work by any union? No. By what union? None.

Signed: Leo D. Veal,
Address: 383 4th Ave., Salt Lake City.

Witness: Orson D. Rust,
Address: 314 W. 6th St.
Witness: Chester H. Wilson,
Address: Boston Hotel, Salt Lake City.

Date: Sept. 3, 1941.

To Whom It May Concern:

GENTLEMEN: In following my trade as a welder, I have been unjustly treated by other trade unionists, as follows:

1. I am a member of Welder Local No. 35, Des Moines, and I am classified as a Gas (X), Electric (X), Combination Welder (X) (Indicate which).
2. I am also a member of ----- Locals of A. F. of L.-C. I. O. which is required for me to work as a welder under such other claimed jurisdictions.
3. At times I have been required to pay \$----- per ----- for a permit to work at my trade as a welder under the claimed jurisdiction of -----.
4. At times I have been forced to leave a job of welding by the members or the business agent of Structural Iron Workers although I was a member of Blacksmith Local No. 104, Des Moines, Iowa.
5. While a welder member in good standing of Welder Local No. 35, Des Moines, Iowa, I have been prevented from working at my trade on work which was in progress by members or the business agent of the Plumbers and Pipe Fitters, A. F. of L.
6. I have been threatened by members of the Boilermakers, A. F. of L., for advocating a union of, by, and for welders, cutters, and their helpers.
7. During the years I have followed the welding trade, I have been a member of two different trade unions, all of which demanded and received fees for my initiation and my monthly dues.
8. Although I am a member in good standing of United Welders, Cutters, and Helpers of America, I have been prevented by unions affiliated with the A. F. of L.-C. I. O. from getting work as a welder on the defense project located at Des Moines Ordnance Plant while I remain such member.

Signed: Arthur S. Miller,
Address: 312 Second Ave., Des Moines, Iowa.

Interception of welders who are members of the United Welders, Cutters & Helpers of America, and who are not also members of some A. F. of L. group is accomplished in the following manner:

The Superintendent of personnel at the Ordnance plant requisitions his employee needs through the manager of Iowa State Employment Service. In such requisition, where Welders are concerned, it is stated whether Welders are wanted on sheet metal work, pipe work, structural work, or maintenance repair work, or such.

The Iowa State Employment Service then relays the need for Welders to the A. F. of L. unions of Sheetmetal Workers, Plumbers & Steamfitters, Structural Ironworkers, or International Association of Machinists, or such.

Despite the fact that employed Welders who are members of the Welders Union have enrolled as such with the Iowa State Employment Service, where the qualifications of each, whether skilled in Oxy-Acetylene or Electric or both processes, is shown, no Welders are called for service on the Ordnance Plant under the arrangement as set forth above.

Each of the A. F. L. metal trades has a kind of a "stable of Welders" who are used by them in work tributary to their trade; the Welder members of any such trade may not work in welding with any other A. F. of L. trade without paying what is called a "permit fee" to such other trade.

The whole set-up under the present A. F. of L. arrangement is extremely unfair to Welders. The arrangement is really incompatible with the very structure of the A. F. of L. itself, which is supposed to be a federation of workers trades with no trade a slave under the jurisdiction of any other one. The Welders now under A. F. of L. are in a form of slavery inasmuch as none of the trades which hold Welders contribute any protection to Welders as such.

A. S. MILLER.

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDERS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: U. W. C. & H. of A. C. I. O.: -----
A. F. of L.: A. F. of L. U. W. C. & H. of A.: -----
- No. 2—How many unions have you ever belonged to? U. W. C. & H. of A. C. I. O.: C. I. O. A. F. of L.: A. F. of L. U. W. C. & H. of A.: -----
- No. 3—What unions have you been forced to join to be able to make a living? A. F. of L.
- No. 4—To what unions have you paid over-lapping dues? None.
- No. 5—To what unions have you been forced to pay permit fees? ---- C. I. O.: ----- A. F. of L.: A. F. of L. U. W. C. & H. of A.: -----
- No. 6—To what unions have you belonged and paid permit fees in other places to a corresponding local? Iron Workers—229 permit 267.
- No. 7—What is the union of your own choosing? U. W. C. & H. of A. C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: -----
- No. 8—In what unions have you been forced to pay dues in advance to get a withdrawal card? None.
- No. 9—In what unions have you been refused a transfer? None.
- No. 10—In what unions have you been refused a clearance card and forced to pay permit money? None. In what town? ----- How much? -----
- No. 11—What union has threatened or discriminated against you? Engineers and Machinists. By whom? In San Diego.
- No. 12—Have you ever been forced off of defense work by any union? -----
By what union? None.

Signed: D. H. Downing.

Address: 4010 Monroe St., San Diego, Cal.

Witness: J. W. Massey,
Address: Box 901, 72 St., L. B.
Witness: Paul F. Weeks,
Address: 7002 Vinevale Ave.

I now belong to International Association of Bridge, Structural, and Ornamental Iron Workers Local #229, and am working on a permit from local #627. I was refused a job on the pier at the foot of E. St. In San Diego because I didn't belong to the Machinist local, and was refused a job with the Standard Dredge Co. because I didn't carry a card with the Engineers.

I was very politely informed by a fellow worker that if I didn't keep my mouth shut about the United Welders Union, I would lose my job, as welder at the

Standard Iron Works, and the U. W. C. & H. of A. was a dog's outfit. The party that informed me is not a welder.

These statements are the absolute truth and I can take oath as to them.
D. H. DOWNING.

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDERS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: One. C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: One.
No. 2—How many unions have you ever belonged to? Three. C. I. O.: Yes. A. F. of L.: Yes. U. W. C. & H. of A.: Yes.
No. 3—What unions have you been forced to join to be able to make a living? C. I. O. & A. F. of L.
No. 4—To what unions have you paid over-lapping dues? C. I. O. and A. F. of L.
No. 5—To what unions have you been forced to pay permit fees? ----- C. I. O.: Yes. A. F. of L.: Yes. U. W. C. & H. of A.: -----
No. 6—To what unions have you belonged and paid permit fees in other places to a corresponding local? C. I. O.
No. 7—What is the union of your own choosing? ----- C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: Yes.
No. 8—In what unions have you been forced to pay dues in advance to get a withdrawal card? -----
No. 9—In what unions have you been refused a transfer? C. I. O.
No. 10—In what unions have you been refused a clearance card and forced to pay permit money? C. I. O. In what town? L. A. How much? 25¢ per day.
No. 11—What union has threatened or discriminated against you? ----- A. F. of L. #92. By whom? Blackwell & Allen.
No. 12—Have you ever been forced off of defense work by any union? By what union? Yes; A. F. of L. by Blackwell & Allen at California shipyards. Termination July 31, 1941.

Signed: B. E. Logan.

Address: 1856 Cerritos St., Long Beach, Calif., Phone 678-582.

Witness: J. W. Massey,

Address: Box 901-72nd St., Long Beach.

Witness: Paul C. Gregory,

Address: 727 York Ave., Hawthorne, Cal.

EXHIBIT No. 293

[Submitted by United Brotherhood of Welders]

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDERS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: ----- C. I. O. Oil Workers. A. F. of L.: ----- U. W. C. & H. of A.: -----
No. 2—How many unions have you ever belonged to? ----- C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: -----
No. 3—What unions have you been forced to join to be able to make a living? Boilermakers A. F. of L.
No. 4—To what unions have you paid over-lapping dues? -----
No. 5—To what unions have you been forced to pay permit fees? ----- C. I. O.: ----- A. F. of L.: Pipefitters. U. W. C. & H. of A.: -----
No. 6—To what unions have you belonged and paid permit fees in other places to a corresponding local? -----
No. 7—What is the union of your own choosing? United Welders. C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: -----
No. 8—In what unions have you been forced to pay dues in advance to get a withdrawal card? -----
No. 9—In what unions have you been refused a transfer? C. I. O.
No. 10—In what unions have you been refused a clearance card and forced to pay permit money? ----- In what town? ----- How much? -----

- No. 11—What union has threatened or discriminated against you? Boilermakers & Machinist A. F. of L. By whom? -----
 No. 12—Have you ever been forced off of defense work by any union? -----
 By what union? -----

Signed: S. V. Kinnoch,
 Address: 419 S. Pine Ave., Compton Ave.

Witness: F. R. Hull,
 Address: 426 So. Pannes Ave., Compton, Cal.
 Witness: Mrs. F. R. Hull.
 Address: -----

I would like to state the reason I haven't joined more unions are that when they started to ride me I just quit my job and went some place else; some times I traveled several hundred miles before I found another job.

Speaking as a real American I just couldn't see this thing of paying for something that never done me a dam bit of good.

Yours sincerely,

S. V. KINNOCH.

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDERS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: ----- C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A. No. 37.
 No. 2—How many unions have you belonged to? #37. C. I. O.: #52. A. F. of L.: #225. U. W. C. & H. of A.: ----- Oilfield workers, Tulsa, Okla. & Shipyard Union #9, San Pedro; Pipefitters, Wichita, Kans.
 No. 3—What unions have you been forced to join to be able to make a living? C. I. O. #9, Wichita, Kan.
 No. 4—To what unions have you paid overlapping dues? #225, Pipefitters.
 No. 5—To what unions have you been forced to pay permit fees? ----- C. I. O.: #9. Shipyards. A. F. of L.: #225. U. W. C. & H. of A.: -----
 No. 6—To what unions have you belonged and paid permit fees in other places to a corresponding local? -----
 No. 7—What is the union of your own choosing? ----- C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A. #37.
 No. 8—In what unions have you been forced to pay dues in advance to get a withdrawal card? -----
 No. 9—In what unions have you been refused a transfer? -----
 No. 10—In what unions have you been refused a clearance card and forced to pay permit money? ----- In what town? ----- How much? -----
 No. 11—What union has threatened or discriminated against you? A. F. L. #92. By whom? Business agent. C. I. O. #9, Shipyard Workers.
 No. 12—Have you ever been forced off defense work by any unions? Yes. By what union? #9 C. I. O. Shipyard Workers.

Signed: Paul C. Gregory,
 Address: 727 York Ave., Hawthorne, Cal.

Witness: B. E. Logan,
 Address: 1956 Cerritos Ave., Long Beach, Cal.
 Witness: Dock Stancil.
 Address: -----

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDERS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: ----- C. I. O.: Steel Workers Organization. A. F. of L.: ----- U. W. C. & H. of A.: Local 37.
 No. 2—How many unions have you ever belonged to? Two. C. I. O.: Steel Workers. A. F. of L.: ----- U. W. C. & H. of A.: Local 37.
 No. 3—What unions have you been forced to join to be able to make a living? C. I. O. Steel Workers.
 No. 4—To what unions have you paid overlapping dues? -----
 No. 5—To what unions have you been forced to pay permit fees? ----- C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 6—To what unions have you belonged and paid permit fees in other places to a corresponding local? -----

- No. 7—What is the union of your own choosing? U. W. C. & H. of A. C. I. O.:
 ----- A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 8—In what unions have you been forced to pay dues in advance to get a
 withdrawal card? -----
 No. 9—In what unions have you been refused a transfer? -----
 No. 10—In what unions have you been refused a clearance card and forced to
 pay permit money? ----- In what town? ----- How much? -----
 No. 11—What union has threatened or discriminated against you? ----- By
 whom? -----
 No. 12—Have you ever been forced off of defense work by any union? -----
 By what union? -----

Signed: Leonard W. Nadgwick,
 Address: 1201 3/4 E. 61 St. L. A.

Witness: Daniel L. Smith.
 Address: 1203 E. 61 St. L. A.
 Witness: Paul C. Gregory.
 Address: 727 York Ave., Hawthorne, Cal.

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDERS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: U. A. & International Opr. Engi-
 neers. C. I. O.: ----- A. F. of L.: Yes. U. W. C. & H. of A.: -----
 No. 2—How many unions have you ever belonged to? U. A.-I Op. Eng. & Boiler-
 makers. C. I. O.: ----- A. F. of L.: Yes. U. W. C. & H. of A.: -----
 No. 3—What unions have you been forced to join to be able to make a living?
 U. A.-Int. Op. Engineers-Boilermakers.
 No. 4—To what unions have you paid overlapping dues? U. A. & Int. Opr. Eng.
 No. 5—To what unions have you been forced to pay permit fees? U. A. & Int.
 Opri. C. I. O.: ----- A. F. of L.: Yes. U. W. C. & H. of A.: -----
 No. 6—To what unions have you belonged and paid permit fees in other places
 to a corresponding local? Int. Opr. Eng.
 No. 7—What is the union of your own Choosing? United Welders Cutters & H.
 of A. C. I. O.: ----- A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 8—In what unions have you been forced to pay dues in advance to get a
 withdrawal card? U. A. & Int. Opr. Eng. Boilermakers.
 No. 9—In what unions have you been refused a transfer? None.
 No. 10—In what unions have you been refused a clearance card and forced to
 pay permit money? ----- In what town? ----- How much? -----
 No. 11—What union has threatened or discriminated against you? Int. Opr. Eng.
 & U. A. By whom? Business agent.
 No. 12—Have you ever been forced off of defense work by any union? -----
 By what union? International Operating Engineers.

Signed: Louis L. Eaton,
 Address: 2778 So. State St., Salt Lake City.

Witness: Orson D. Rust,
 Address: 314 W. 6th St., Salt Lake City.
 Witness: Chester H. Wilson,
 Address: Boston Hotel, Salt Lake City.

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDERS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: ----- C. I. O.: Local 9. A. F.
 of L.: Loc. #92. U. W. C. & H. of A. (X).
 No. 2—How many unions have you ever belonged to? ----- C. I. O.: -----
 A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 3—What unions have you been forced to join to be able to make a living?
 Two.
 No. 4—To what unions have you paid overlapping dues? -----
 No. 5—To what unions have you been forced to pay permit fees? ----- C. I. O.:
 Local #9. A. F. of L.: Local #92. U. W. C. & H. of A.: -----
 No. 6—To what unions have you belonged and paid permit fees in other places
 to a corresponding local? -----

- No. 7—What is the union of your own choosing? ----- C. I. O. -----
 A. F. of L. ----- U. W. C. & H. of A. -----
 No. 8—In what unions have you been forced to pay dues in advance to get a withdrawal card? -----
 No. 9—In what unions have you been refused a transfer? -----
 No. 10—In what unions have you been refused a clearance card and forced to pay permit money? ----- In what town? ----- How much? -----
 No. 11—What union has threatened or discriminated against you? ----- By Whom? -----
 No. 12—Have you ever been forced off of defense work by any union? ----- By what union? -----

Signed: Frank C. Mount,
 Address: 1121 Labrre.

Witness: -----
 Address: -----
 Witness: -----
 Address: -----

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDERS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: 1. C. I. O.: ----- A. F. of L.: -----
 U. W. C. & H. of A.: -----
 No. 2—How many unions have you ever belonged to? 4. C. I. O.: ----- A. F. of L.: -----
 U. W. C. & H. of A.: -----
 No. 3—What unions have you been forced to join to be able to make a living? -----
 No. 4—To what unions have you paid overlapping dues? -----
 No. 5—To what unions have you been forced to pay permit fees? 2. C. I. O.: -----
 A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 6—To what unions have you belonged and paid permit fees in other places to a corresponding local? -----
 No. 7—What is the union of your own choosing? ----- C. I. O.: -----
 A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 8—In what unions have you been forced to pay dues in advance to get a withdrawal card? -----
 No. 9—In what unions have you been refused a transfer? -----
 No. 10—In what unions have you been refused a clearance card and forced to pay permit money? ----- In what town? ----- How much? -----
 No. 11—What union has threatened or discriminated against you? 4 times. By whom? -----
 No. 12—Have you ever been forced off of defense work by any union? Lost pusher job because of discrimination. By what union? -----

Signed: M. A. Fosie,
 Address: Rt. 3, Box 650, Charleston, S. C.

Witness: -----
 Address: -----
 Witness: -----
 Address: -----

NOVEMBER 10, 1941.

LIST OF QUESTIONS SUBMITTED TO WELDORS, CUTTERS & HELPERS OF AMERICA

- No. 1—Name the unions you now belong to: U. W. C. & H. of A. #37. C. I. O.: -----
 A. F. of L.: ----- U. W. C. & H. of A.: 37.
 No. 2—How many unions have you ever belonged to? ----- C. I. O.: -----
 A. F. of L.: ----- U. W. C. & H. of A.: 37.
 No. 3—What unions have you been forced to join to be able to make a living? A. F. of L. #92.
 No. 4—To what unions have you paid over-lapping dues? -----
 No. 5—To what unions have you been forced to pay permit fees? ----- C. I. O.: -----
 A. F. of L.: ----- U. W. C. & H. of A.: -----
 No. 6—To what unions have you belonged and paid permit fees in other places to a corresponding local? None.
 No. 7—What is the union of your own choosing? ----- C. I. O.: ----- A. F. of L.: -----
 U. W. C. & H. of A.: #37.

- No. 8—In what unions have you been forced to pay dues in advance to get a withdrawal card? -----
 No. 9—In what unions have you been refused a transfer? -----
 No. 10—In what unions have you been refused a clearance card and forced to pay permit money? ----- In what town? ----- How much? -----
 No. 11—What union has threatened or discriminated against you? ----- By whom? -----
 No. 12—Have you ever been forced off of defense work by any union? -----
 By what union?-----

Signed: George M. Lepp.
 Address: 1239 W. 23rd St., L. A.

Witness: Lloyd Taylor,
 Address: 136 Mariposa Ave., Long Beach, California.
 Witness: A. W. Koernick,
 Address: 239 16th St., Seal Beach, Calif.

EXHIBIT No. 294

[Submitted by United Brotherhood of Welders]

SAN FRANCISCO, CAL., Nov. 13, 1941.

I, the undersigned, a welder of more than eighteen years' experience, have been forced to change my union card over three times in six years.

I do protest the following:

That, while a member of Machinists Local 1330 I was required to change my card to Steamfitters Local 509, at a cost of Fifty-dollars, in order to weld on pipe. (Scott Co.)

That, while a member of above local, I was required to pay one dollar per week, for permit to work at Mare Island, Cal., for Cory and Joslyn, said assessment going to Vallejo, local of Steamfitters.

That, while employed by Young Bro. subcontractors of Meyer Bro. on housing project at Army and Potrero Streets, San Francisco, I was asked to pay Thirty cents per day to the Plumbers local, which I refused to do, thereby shortening my job, DECIDEDLY.

That, while employed by Cory and Joslyn on a job at Martinez, Cal. I was required to pay Oakland Steamfitters local 342, a sum ranging from eighty cents to one dollar per week.

P. J. FRANK.

Subscribed and sworn to before me this 13th day of November 1941.

[SEAL]

NELL O'DAY,

*Notary Public in and for the City and County of San Francisco,
 State of California.*

My commission expires March 26, 1944.

EXHIBIT No. 295

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
 434 Federal Office Building
 SEATTLE, WASH.

OCTOBER 29, 1941.

Clem A. Perris, 1209 Frink Place, Seattle, Washington.

Interviewed by Gareth M. Neville, October 28.

At time of strike, worked at Associated Ship Building; date of entrance into Boilermakers Union, January 2, 1941; previous membership in Local 440, International Hod Carriers, and 4 years in the Fishermen's Union; declared that membership in Hod Carriers Union did not entitle him to work as welder; was a welder in 1933; dropped out in 1934 because of scarcity of employment; fished 4 years in the Columbia River; tried to reinstate (apparently in a Boilermakers

or Welders Union) but could not obtain recognition of card; then joined the Hod Carriers Union, 440, and worked out of there until last Christmas, when laid off because of thaw; returned to Boilermakers Union, presented old card, and was sent right out to Ship Yards; informed by Shop Committee that it would be necessary to pay \$1.00 a day for 90 days to work—then \$30.00 additional for initiation fee, total \$120.00—questioned this because considered it a reinstatement; went down to Union Hall to talk with George Nelson, who said it would be necessary to pay, so paid \$120.00 altogether; in regard to receipts for money paid to George Nelson, Perrin said he requested same and was told there weren't any; receipt of payment shown on reverse side of permit card only; declared that everyone else had to pay same amount, but they were all "squawking"; three weeks after making last payment, received notice to report for his Boilermakers card; did so, and received card showing notice of reinstatement, and dating back to 1933; very angry and so "jumped" the secretary and told him it was a "dirty graft" but was not able to get any money back—thought at the time he was really going to get a "kick-back" on the \$120.00 paid; complained to Washington (see letters attached); persuaded about 13 or 14 other men to complain to Washington; unable to recall names; stated that reinstatement fee amounted to only \$10.00 and that his reinstatement card made no reference to the additional \$110.00 which he had been forced to pay in the form of permit money and initiation fees; declared he had no idea what happened to permit money; however, believes "I am paying somebody's rent"; said at one union meeting he planned to bring up such practices (permit money, etc.) but was ruled out of order by the chair—said "you get bounced out on your ear" if you try that sort of thing; gave names of Bill Bacon, Leo, Scotty, and Lou Morgan as persons stating that Boilermakers Union had complete jurisdiction over all Seattle welding; believes it impossible to exactly differentiate between various kinds of welding and designate same as belonging to certain specific unions—said "one outfit will claim it, and then another will claim it is theirs." . . . Stated he had receipt for \$30.00 initiation fee only; does not have receipt for the \$5.00 weekly permit payments; when asked how an individual belonging to another Boilermakers local could obtain work under Boilermakers 541, replied as follows: "Well, he comes here. He has to present his card . . . It is passed on by the membership. If he joined the first union longer than 6 months ago, he would not have to pay any difference; if not, he would have to pay a difference between the cost of his initiation and cost of being initiated into Local 541.

EXHIBIT No. 296

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
434 Federal Office Building
SEATTLE, WASH.

OCTOBER 30, 1941.

Alexander J. Anderson, 1101 17th Avenue: Ca 0068.

Interviewed by Gareth M. Neville, October 29.

Has been member of Automobile Union in Ford Plant at St. Paul, Minn. "Last two months had to join the following: Machinists and Boilermakers. I came out here from St. Paul to get a job at Boeing's welding and I had to join the Machinists (International Association of) as a welder. I paid \$15.00 there. I failed to pass one part of the Government test out there so I was automatically let out. So I went to the shipyards. I had to go to the Boilermakers Union to be hired there. So far I have only worked in the shipyards four days . . . when they went on strike. So far I haven't paid any money. But this Friday I am supposed to pay \$20.00 and then \$20.00 every month until I have paid. . . ." Said he did electric welding at shipyards. Asked whether it could be considered machinists welding, answered, "on most work, I couldn't say." When asked whether machinists card should entitle him to do machinists work, replied, "I tried to get a job through this same union (the Machinists) but I couldn't. The Boilermakers in some way have jurisdiction over all that welding. Nobody has ever explained why. I was never told the exact reasons I had to join another union—the Boilermakers—that was just understood and I

had to do it. I did try to get money back from the Machinists. We asked if we failed to pass this test, would we get our initiation fee back from the Union. They said, 'Yes.' I went to the International Association of Machinists and they said it was too late."

EXHIBIT No. 297

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
814 United States Court House
SEATTLE, WASHINGTON

G. H. Clark,
Route 2, Box 26, Kent, Washington.

Interviewed by Vance on October 30, 1941.

Clark was a member of the Sheetmetal Workers Union in 1940 and was employed at the National Steel Construction Company. At that time they were supposedly limited to work on 10-gauge or less material and the Boilermakers were to do all above that. But the Boilermakers did part of the work on 10-gauge or less.

Clark was one of very few men who could do combination welding and this was the type of welding he was doing at National Steel.

When Clarke had gone to work at the National Steel Construction Company he was not a member of any union but became a member when that plant was organized by the Sheetmetal Workers Union. It appeared that at that time none of the unions wanted the combination welders and they were turned down by several unions before they were successful in becoming members of the Sheetmetal Workers Union.

When the work ran out at the National Steel Construction Company, Clark had an opportunity to go to work out of Boilermakers Union Local 541 at the Puget Sound Machinery Depot where combination welders were needed. As 541 had no combination welders, he was permitted to work without membership and without permit fees.

When the work ran out, Clark was sent to see the business agent of the Tacoma Boilermakers local. He was sent to work at the Seattle-Tacoma shipyards on November 1940. He paid \$30 to become a member of the Boilermakers local.

The Boilermakers Local refused to accept a \$10 credit which he had with the Sheetmetal International.

While employed in the shipyards, Clark did pipe and boilermaker and sheet-metal welding.

NOTE.—Collateral Issue. When Clark was employed at the National Steel Company one Vic Ware was business agent of the Sheetmetal local and was until December 1939. At National Steel they were only getting \$28 a week or 70¢ an hour and it was apparent to one and all that Ware had sold out inasmuch as all other welders were getting more money elsewhere. In going to Puget Sound Machinery Depot under Local 541, the pay became \$1.15 an hour or \$46 per week. Subsequent to these events Ware was accused of embezzling from the union and was ousted therefrom. Clark said he thought Ware was prosecuted for this but was not sure. He said that Ware kept terrible books and that sometimes they would have money in the bank, the source of which they did not know, and that at subsequent meetings they would have a deficit, the source of which they did not know. He also said that Ware had a bunch of men on permit and would not let them join the union as he was pocketing the permit money. Clark said that since the ouster of Ware, he believed the Union had been run honestly.

EXHIBIT No. 298

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
814 United States Court House
SEATTLE, WASHINGTON

L. F. Gieseke, 1308 College Street, Seattle, Washington.
Interviewed by Vance on October 28, 1941

I was a member of the Machinists Welders Local 1531 in Yakima, Washington. I joined a little over four years ago—it will be four years in June. I worked for McDougal Construction, Arrowsmith Iron Works, and Valley Iron Works, while in Yakima. I left there in February of 1941 to come to Seattle. At that time I was a paid-up member of the Machinists in Yakima.

I went to the Boilermaker Welders here and they sent me to Todd Dry Dock. I knew that they would not accept a transfer. I was supposed to pay \$90 but I didn't think it right because I was a member of the Machinists. I went to the Executive Board members and Ray _____, a shop steward, took it up in Executive Meeting. They decided they should accept me for \$30. I paid that and got a card. While working at Todd's, I welded pipe bulkheads—anything that came along. I have been with Todd's ever since coming to Seattle.

EXHIBIT No. 299

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
434 Federal Office Building
SEATTLE, WASHINGTON

OCTOBER 29, 1941.

Arnold Arthur Reuther, 1023 Jefferson Street, Seattle, Washington.
Interviewed by Gareth M. Neville, October 28, 1941.

At time of strike employed at Seattle Tacoma Ship Yards. "I was welding on oil tanks—clearly Boilermaker work." Worked for two months on a non-member card, and was initiated about a month ago. About one year's experience. In regard to permit money: "First worked under permit given by Structural Steel and Iron Workers Union—not then a member of any other union. Paid about \$80 or \$90. I stayed for a month on that job at \$1 or \$2 a week. I paid that money to Fox. I have the receipt at home." (Offered to bring receipt to Mr. Neville.) Sent by instructor at Edison night school to George Nelson, who in turn sent him to Pacific Car & Foundry. . . . He (Nelson) wanted \$60 at end of 60 days and I did that . . . I paid whole sum at end of 60 days. I paid \$40 the 8th month, the 8th day, and \$20 the 8th month, the 20th day, and then was given a card and became a full-fledged member. In regard to type of welding. "No. It was sheet-metal welding. I don't know much about their jurisdiction, but you are not supposed to weld anything over 16 gauge . . . the Boilermakers have contract with Pacific Car & Foundry to send all their welders out there. It didn't make any difference what we did. We worked all over the place." In answer to question as to whether a sheet-metal worker, if employed, would have been forced to join the Boilermakers' Union, said, "Yes; although we were doing sheet-metal work." Denied ever hearing any statement as to the use the money was being put by the Union. Denied ever receiving any threats of violence. Explained that change in ruling of Union now in effect whereby "if you pay at end of 60 days, that's all right."

EXHIBIT No. 300

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
434 Federal Office Building
SEATTLE, WASHINGTON

OCTOBER 31, 1941.

Howard F. Dupree, 809 Nob Hill, Seattle, Washington. Telephone: Ga 2717.
Interviewed by Gareth M. Neville, October 28.

Dupree was working under the jurisdiction of Boilermakers Local 541 at the time of the strike. Dupree at present carries a Boilermaker's card and a Steamfitter's card; he pays dues to both unions. Until about January of 1941, Dupree carried only a Boilermaker's card. Whenever he desired to work under the jurisdiction of another union, he paid permit money. However, in order to obtain the particular kind of employment which he liked, he joined the Steamfitters in January of 1941, and paid an initiation fee of \$25.00. Dupree was asked why, after having joined the Steamfitters, he continued to pay dues to the Boilermakers. He replied, "We don't dare drop a card, because it is too hard to get back. They make it kind of tough on you." At the time Dupree started to work at the shipyards, he was classified as a combination man because he carried two cards. This enabled him to work under the jurisdiction of the Steamfitters and the Boilermakers. He said that during this period he was working with a man (he promised to obtain the name for the Department) who had a card only in the Boilermakers. He said that whenever this man "bumped" up against some steamfitters welding, he would stop working and "monkey" around until the Yard would obtain a welder with a steamfitter's card to do the work. This practice resulted in many delays and much lost time.

Concerning the jurisdiction of the two unions, Dupree said, "We were more or less battling. . . . They (Steamfitters and Boilermakers) were fighting all the time over jurisdiction.

At one point, Dupree said that on several occasions he could have obtained work if he had had a Machinist's card. He was asked why he had not obtained such a card. He replied that the Machinists and the Boilermakers were always battling and it was sometimes very embarrassing to have cards in both unions. He said that people having cards in both unions were often discriminated against by each one of the unions.

At the close of the interview, Dupree made the following statements: "The last 10 years have been tough. We have all lost lots of time. Well, I was over at Grand Coulee Dam and I was over there 5 months and worked 2 weeks—I guess it was 7 weeks. If I had carried a card—I was bullheaded—if I had been carrying a steamfitting card, a sheet-metal card, and an iron-worker card, I could have worked all the time. But due to the fact I was just carrying one card, I got 7 weeks' work. I finally 'stabbed' a job and it was at the end of 5 months . . . and because I was not a steamfitter or a sheet-metal worker, I got laid off. They put an incompetent nonunion man on the job . . . the sheet-metal workers claimed jurisdiction over there and they offered me a card. Well, I wouldn't join. Consequently, I lost from November until the following February. I lost all that time because I wouldn't join their organization. I was perfectly capable—we maintain that welding should belong to the welders." Agreed to Mr. Neville's statement that, "You were one of the fellows who joined one welding union on the Dam and later they ruled that another union had jurisdiction." Dupree continued: "Those boys that joined the Boilermakers' Union thought they could do any of that work. They joined and then the Steamfitters and Pipefitters came along and made them join up—that was the start of this jurisdictional fight. . . . Up until that time the boilermakers did do practically all the welding. That's when this big jurisdictional row broke loose—we had 90% of the welding on the Coast here (Boilermakers' Union) . . . but in the last 2 or 3 years they enforced this ruling made years ago that the welding will be done by the union having jurisdiction over the job. . . . When I joined the Steamfitters, they were very short of welders. Worked for them 9 years on permit. They knew my ability. They wanted all the topnotch men they could get. They took me in for \$25. A week or so later they sent a few boys up to Alaska and their initiation fee was \$100.00. There were 5 or 6 of them that paid \$100.00—and just a week after I joined for \$25.00. That is not so 'hot'—those boys have been trying to get it

back. . . . I do not know whether they made a special rate for me and I wouldn't say for sure that the \$100.00 was in effect when I joined. So, I found out during the time they were in Alaska they charged \$100.00 . . . for welders . . . before this time, they had taken in a dozen good boys. This made them rather independent and they started charging the high fee. . . . Well, I have always held the Union in high regard. But the longer I belong to it, the more I think it's a bunch of racketeers. Now I wonder whether they would hesitate at anything. The Union is supposed to have brought in a 'goon squad' from Portland . . . report is that there are 150—of course, they are all carrying union buttons. Tommy Ray furnished the squad."

EXHIBIT No. 301

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE

814 United States Court House

SEATTLE, WASHINGTON

Burton I. Duncan, 604 Columbia, Seattle, Washington.

Interviewed by Daly on October 29, 1941.

I attended the National Defense School in Spokane and was sent by the Electrical Workers Union Local 73 to work on the Umatilla Ordnance Depot. While there I paid \$10.11 per week to work. This was to be paid until \$102 was paid. In addition to this amount, there were dues and 2% wages to be paid to the Union.

I belonged to no welders union but was doing welding under 73 (Electrical Workers). I came to Seattle and was given a permit to work from Boilermakers Local 541, and worked for 2 days and 3 hours at the Seattle-Tacoma Ship Yards before the strike. I have paid no dues or permit money to 541 as yet.

I am under the impression that a lot of us were sent here by the Electrical Workers Local 73, which is an A. F. of L. affiliate, to break up this strike.

A man by the name of Anderson with Electrical Workers Local 73 in Umatilla said that we would be able to get back a part of the money paid on the Umatilla job from 73 in Spokane.

EXHIBIT No. 302

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE

814 United States Court House

SEATTLE, WASHINGTON

Loren A. Innes, 2129 N. W. Northrup Street, Portland, Oregon.

Interviewed by Vance on October 29, 1941.

I worked at Coulee in 1935 or 1936. I was not a member of a union when I went there, but we were organized by Boilermakers Local 691. This cost \$7.50 or \$10.00. I missed the organization by the Sheetmetal Union because I stayed in the shop after that. I was a combination welder.

Between June 5 and June 18, 1941, I stopped at Burlington, Iowa. At the ammunition plant a man with the Boilermakers could not go to work. We would have to pay permit money to iron workers or steamfitters, although welders were needed badly.

Then I went to Pittsburgh. The Boilermakers had no job for me. The dues there are \$3.50 per month and 5%. I went over to 1807 Long Finance Building and took a permit card in steamfitting union; also went over to Ironworkers and got a permit on June 18, 1941, but I never worked under this permit.

I went to work at the Morgantown Ordnance Works under the Steamfitting permit. There was iron-worker and steamfitting welding there. I did some of same type of welding under my Boilermaker card at Coulee and Richmond, Cali-

fornia, but had to pay the difference in dues. The Coulee dues were \$5.50, and the steamfitters \$9.00, so I paid \$3.50 and worked only 10 days. In July I paid \$5.50 for twelve days.

I then went to Denver, Colorado. I was told not to mention the Boilermakers. I went over to the Labor Temple and paid \$1.50 for quarterly working card for Building and Construction Trades Department, A. F. of L. I got a permit from Steamfitters Union No. 208 at \$1.00 per day up to August 7, 1941. I worked for Broderick & Gordon (Remington Small Arms)—the work was supposed to be on pipe; was really ornamental iron work. I didn't do any boilermaker welding there.

I then went to Richmond, California, and got a job at Todd-California Shipbuilding Corporation. I got a transfer and paid regular dues of \$3.50. I did some pipe and boiler maker welding and was a leaderman. I have no kick coming on this score.

I went to Portland, Oregon, on August 28 and deposited my card. I couldn't go out as leaderman—\$1.50, \$1.15 as other. They told me to not even go out and talk to my friends. So on August 28 I went and got a permit card from the Steamfitters Union No. 235. They sent me to Gasco Plant (Bechtel-McCone-Parsons Corporation of 601 W. Fifth Street, Los Angeles, California). I have paid 50¢ per day permit money until all the trouble here in Seattle came up and they dropped the fee to 25¢. There is no end to that unless I pay \$52.50 and then dues. I am doing same work as the boilermakers there. The first day on the job I was working on 20". Business Agent from Boilermakers made them take me off the job. I was afraid to show my Boilermaker's card because I would then never have been able to get out of that office. Boilermakers are now doing the same thing I am doing. The Boilermakers there are doing the same work (Structural beams building oven) which in Morgantown was under the Ironmakers.

(All this time Mr. Innes was paying dues into the Boilermakers Union.)

EXHIBIT No. 303

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
434 Federal Office Building
SEATTLE, WASHINGTON

OCTOBER 30, 1941.

Lawrence Ohlschlager, Route 3, Box 1013, Auburn, Washington.

Interviewed by Gareth M. Neville, October 30.

Ohlschlager was employed at the Seattle-Tacoma Ship Yards at Tacoma, and was a member in good standing of Boilermakers Local 568 at the time of the strike. On July 18, 1939, he obtained a card from Local 395 of the Ornamental Iron Workers of Hammond, Indiana. At this time he was employed by the Russ Furnace Company and worked out of its Pittsburgh office, installing equipment throughout the Eastern United States. Ohlschlager said that at all times he was a member in good standing of his own local union and yet he was forced to pay a permit fee of \$1.00 per week on each job not under the immediate jurisdiction of his own local. This sum was in addition to the \$5.00 per month he paid as dues to the Hammond, Indiana, organization. He said that while working on a job in Camden, New Jersey, he discovered that the local welders' union had ruled that any company using an electric welding machine had to hire a member of the Engineers Union to turn the machine on and off. This made it necessary to pay a skilled engineer \$1.70 per hour all day long for turning a switch four times a day, once in the morning, twice at noon, and once in the evening. Because of this practice, the Russ Furnace people did all of their welding on the New Jersey job with acetylene welding equipment. Ohlschlager said that a man by the name of Byron Rice, superintendent of the Russ Furnace Company, would be in a position to furnish complete details concerning the above.

Ohlschlager started work at the Tacoma yards on December 18, 1941. He first obtained his job at the Seattle-Tacoma Ship Yards and was then sent by the company to Local 568 of the Boilermakers Union to obtain a card. The Boilermakers Union refused to recognize his Structural and Ornamental Iron Workers card and

forced him to pay a new initiation fee of \$30.00. However, he was not required to pay permit money. Ohlschlager said that while working at the Seattle-Tacoma Ship Yards under his Boilermakers card he had been required to do work which he would consider under the jurisdiction of the following unions: Plumbers and Steamfitters, Electricians, Machinists, Sheet Metal Workers, and Carpenters. He said that the local Boilermakers Union claimed jurisdiction over all of this work as a result of a deal made by the heads of the Metal Trades Unions in Washington. He further explained that in all probability the various metal trades unions would not object to the Boilermakers claiming jurisdiction over all work in the ship yards, so long as there is plenty of welding work for everyone. However, he said that as soon as the present demand for welders slows up, each union would have a jurisdictional squabble with the Boilermakers concerning the distribution of work in the ship yards.

GARETH M. NEVILLE,
Special Attorney.

EXHIBIT No. 304

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
814 United States Court House
SEATTLE, WASHINGTON

Ray Hughes, 1511 South "I," Tacoma, Washington.

Interviewed by Vance on October 29, 1941.

I was boilermaker (reinstated) in 1938—No. 5444, Local 691. I was working at Coulee Dam doing Grout welding. Mercer, International Vice President of Boilermakers, told us that it had been threshed out and that sheetmetal workers were to have jurisdiction over grout welding. That was 90% of their work but sometimes we had to make emergency repairs, etc., involving pipe welding, etc. We were told we had to joint Sheetmetals or quit grout welding. So I paid \$15.50 to join and \$3.50 per month dues. I had to keep Boilermaker card (\$5.50) per month to do other work.

The same thing happened at Redding at Shasta Dam. They moved the local, welders and all from Coulee, but I couldn't go for it.

There were also machinists, pipe men, and iron workers in the machine shop where I worked.

J. O. Murray, now personnel manager of Oregon Shipbuilder Corporation, was with the Consolidated Builder, Inc., at time of Grand Coulee and personnel manager of M. W. A. K. prior to that.

EXHIBIT No. 305

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
434 Federal Office Building
SEATTLE, WASHINGTON

OCTOBER 29, 1941.

Robert R. Anderson, 1215 16th Avenue North, Seattle, Washington.

Interviewed by Gareth M. Neville, October 28, 1941.

At time of strike employed at Associated Ship Builders. Had been there 3 months. Has been a member of Boilermakers 541 since July 24, 1941, and has worked as a welder since January 1, 1941. Belonged to Plywood & Veneer Union sometime in past. In regard to payment of permit money, said: "January 10, first time I paid any money. That was 5.00, and I paid them up until June 20, when I paid them the last payment of \$30.00 and the whole total in the meantime was \$120.00." Paid money to George Nelson, representative, sometimes by

check and sometimes by cash. Said, "They were surprised when I came down with the first check, but they didn't refuse. The reason I paid by check was that the receipt for the first \$5.00 I paid them had been turned in to them for my next week's permit." Said he had no receipt except the canceled checks. Declared he was unable to secure any information from Union in regard to card designated as "permit" and card showing "non-member" (the latter replaced the first). Said he had no idea how permit money was spent by Union—said members talk about it among themselves. Said he fabricated pipe, but understood that it is considered as welder's work. Declared that in his opinion pipe-fitting, boilermaking, and machine work are all welding—"I don't see that there is any difference." Said that Pipe Fitters Union had never attempted to collect money from him. Said he couldn't furnish names of any of the officials of the Boilermakers' Union who had told him or said that all of the work in the Yard was under their jurisdiction. Denied any threats of violence had been made against him, and said that he had never made any effort in open union meeting to object to practices. Furnished Mr. Neville with cancelled checks, but said "I don't want them to get in the hands of a boilermaker in a 'goon' squad." (Papers include cancelled checks, card, monthly dues, \$28.75.) Said that only receipt given him was identification card for first \$5.00 payment and that at end of week he was required to turn it in. Said he was the shop steward out here at Associated and that one of the bosses, Carl Buckenroth, "Told a welder to weld something on a piece. He said he understood that it was machine welders' work. He asked whether he should weld it or not, * * * so the boss sent and got me and said he was going to fire him (Al Corden, Sr.) unless he welded it because he had an agreement with 541 to weld everything. No; I didn't make him pay more permit money to work * * * As far as I can see it was machinists' welding because it was on a machine." "I know there are a lot of fellows up there that have two or three cards. * * *" Denied any threats of physical violence, but said, "It is more or less understood that you are not allowed to work if you don't pay and that they reserve the right to pull you off the job."

EXHIBIT No. 306

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE

814 United States Court House

SEATTLE, WASHINGTON

O. K. McKinley, 2021 Fourth North, Seattle, Washington.

Interviewed by Vance on October 28, 1941.

I was initiated into Local 541 of the Boilermaker Welders in April of 1941. I have had about ten years' experience as a welder. I never belonged to any union prior to that time. The understanding when you go to work for the Boilermakers is that you pay \$1.00 for every day you work. That has to be paid every week for 90 days. At the end of 90 days you then have to pay \$30 in a lump sum for initiation fee.

I paid my money by cash—that is all they will take. I wanted to pay by check but they refused to take my check. I showed them my bank account but they still refused my check. I offered the check to George Nelson and he said, "We don't take checks." I asked for a receipt and he said, "We don't give receipts for permits. The receipt is kept here in the office."

During the time I was paying permit money, I was working at Todd Dry Dock—did steel plate, pipe, sheetmetal, electricians (putting light fixtures up in each stateroom and welding little button in) welding. I didn't have to pay permit money to any other local during that time. Since then I have worked at Seattle-Tacoma Shipbuilding Corporation, Lake Washington Shipyards—that's about all. I was a member by that time and didn't have to pay any permit money. At Seattle-Tacoma it was entirely ship welding; that is, steel plates, nothing any lighter than 2's, nothing any heavier than ½ inch—that's distinctly ship welding. The Boilermakers Union claims jurisdiction over each of these three places. I have heard Doug Fowler, Tom Crow (some International officer of Boilermakers Union), William Williams (International Vice President), Tony Lakosky (Presi-

dent of the Local) make remarks about this. So far as I know, the permit money went into the local. You hear all sorts of stories about the officials pocketing the money, but you can't prove anything.

EXHIBIT No. 307

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
814 United States Court House
SEATTLE, WASHINGTON

Charles Culberson, 5210 Swift, Seattle, Washington.

Interviewed by Vance on October 28, 1941.

The first union I joined was the Boilermakers Union at Bremerton the last part of November 1940. I did not have to pay permit money there. I paid \$10 to join. I worked at Cloud's Welding Shop there, and did more or less general welding.

I came over to Seattle just before the first of the year of 1941. They wouldn't accept my card here—claimed that the Local at Bremerton had jurisdiction only over their workers. Had to pay \$1.00 a day here when they let me work. I later joined the Machinists Welders. While paying permit money, I worked at Associated Ship Builders on Harbor Island and at Todd Dry Dock. At Associated I did general shipyard welding—some machinists welding. At Todd's it would all be classed as Boilermaker work, I think.

I joined the Machinists Welders around the 15th of June. I did not have to pay permit money in that union. I worked at Fenton Steel Works and since June at the Carlisle Lumber Company. I have been doing nothing but machinists welding since being with that union.

I never got a receipt for my permit money with the Local 541 of the Boilermakers; I knew they wouldn't give anyone one and so didn't ask. In all, I paid \$23 in permit money; that was from January until about the 15th of March—I worked 22 or 23 days during that time.

EXHIBIT No. 308

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
814 United States Court House
SEATTLE, WASHINGTON

Hugh Fancher, 240 Pelly Avenue, Renton, Washington.

Interviewed by Vance on October 28, 1941.

I was initiated into Local 541 of the Boilermakers June 10, 1941. At the time I was initiated I was an experienced welder, having done that type of work since 1937.

I did welding at Peterson & Johnson Lumber Company, Lakeview, Oregon, having started there in May of 1940. That was when I joined the Carpenters and Joiners. I left that in August of the same year, and went to work in a machine shop in Lakeview. I did welding there, but that was a nonunion town and I only kept my membership in the Carpenters and Joiners about a month. I wasn't paid up when I came to Seattle in January of 1941.

I went to work here as a welder in January, three days after I got here. I paid \$1.00 a day for 90 days as permit money. Between January and June I worked at Pacific Car and Founders in the steel shop and foundry. In the foundry I did electric welding, submarine net anchors. After I left there, I worked at Todd Dry Dock for about three weeks. While there I did conversial work on the President boats. Then I went back to Pacific Car and Founders in the bus shop. I did sheet-metal work there. I then went to Todd's again. I haven't paid any permit money since I was initiated.

I went up to the Labor Temple as a sheet-metal worker and they told me that my Carpenters and Joiners affiliation was no good. They told me I could do no more welding here unless it was Carpenters' welding. They didn't ask me whether my card was lapsed or not. I don't know the man's name—Sheet-metal Workers Department at the Labor Temple. He sent me to Local 541.

They hesitated the first time or two in taking my checks for permit money. No one ever explained why I had to pay the permit money. It cost me \$120 in all to join the union. They gave no receipts.

EXHIBIT No. 309

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
434 Federal Office Building
SEATTLE, WASHINGTON

OCTOBER 29, 1941.

Lester Jared, 6359 Delridge Way, Telephone: Avalon 1464, Seattle, Washington.
Interviewed by Gareth M. Neville, October 28, 1941.

At time of strike was employed at Seattle-Tacoma Shipyards. Had been there 1½ months and paid \$60 to Local 541. Has not been initiated. Previously a member of C. I. O. at Pasco and then of A. F. of L. also at Pasco. 5½ years prior experience. In regard to permit money: "Only paid \$60; paid by check; I have cancelled checks at home; installments of \$30 apiece." Also, "... they said it was compulsory to pay within 60 days after starting to work ... and wouldn't take less than \$20 at a time. It absolutely had to be paid within 60 days." Said he paid money "to lady in office ... didn't give receipt." Said he had been welding on everything "pipe—boiler—all classifications." Said he had heard remarks "to that extent" when questioned as to whether union officials had said that all welding is under the jurisdiction of the Boilermakers. When asked to supply names, said, "Well, that would be kind of hard to do. Before I came to 541, Weston, a volunteer organizer, said that all welding was under their jurisdiction—of the Seattle district." Said "it was almost impossible" to determine whether a given piece of work actually belonged to the jurisdiction of a certain union. Declared that "they (Boilermakers) claim jurisdiction over all welding done by men sent out from hall," but agreed with Mr. Neville that jurisdiction was supposed to be divided up. Never made any objections in open union meeting, and never received any threats of violence. Said he didn't know of any instance where a welder of good standing was prevented from doing ...

EXHIBIT No. 310

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
314 United States Court House
SEATTLE, WASHINGTON

L. H. Butler, Route 5, Box 799, Seattle, Washington, no telephone.
Interviewed by Vance, October 28, 1941.

Around the first of the year I went over to Bremerton. I had tried to get work in Seattle. I tried the Boilermakers and they said, "Sure, but it will cost you \$1.00 a day. That is the ruling here—90 days at a dollar a day and \$30 initiation fee." I was talking with both Doug and Nelson. They said that was the only way I could get a job here.

I was not a member of any A. F. of L. union at that time. I quit at Bremerton and went to work at Alaska Steamship Company. In paying the permit money, I tried to give them a check to have it over with, but they told me they wouldn't accept checks. I paid \$5.00 a week until I had \$60.00 paid. I then went to Montana and came back the 1st of July. I went to the Boilermakers again and they sent me to Todd's. I worked a week there and didn't know there had been

a change in the permit money and gave them \$5.00. Nelson didn't say anything. Next Friday I said to the boys, "I have to go give Doug another \$5.00." They said, "How much are you paying?" and I told them I had paid \$65.00. They told me "\$60.00 is all you are supposed to pay now." So I went to see George and I said, "George, how much have I paid in here?" He said he would have to look it up. He looked up my payments but he didn't say anything. I said, "Say, as I understand it, they have made a ruling that \$60 is all you pay now—that that is the initiation fee and your working fee." He said, "That is right." He said, "All right, you have paid \$60.00." I raised Cain with him and got my \$5.00 back. At first he said he couldn't do it.

During all that course of business with Nelson and Fowler they said that that was the ruling they had and that I had to pay it and that if I didn't, I didn't work. I hesitated a little on whether to pay it, but what are you going to do? You just didn't work if you didn't pay.

EXHIBIT No. 311

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE

814 United States Court House

SEATTLE, WASHINGTON

Roscoe Lohmeyer, 329 29th Ave. North, Seattle, Washington.

Interviewed by McFadden, October 29, 1941.

I did belong to Boilermaker's Local #541 until the present trouble. I also belonged to CIO Mine, Mill, and Smelter Workers at Chelan, Washington.

I, too, paid \$120 to the Boilermakers'. \$90 of this was for a permit, \$30 for initiation fee. I belonged to the same Union, Local 691 at Grand Coulee, Washington, in 1936, but I was charged \$30 reinstatement. I have \$51 in cancelled checks and a receipt for the \$30 reinstatement or initiation fee.

I worked at Todd's all the time. We found out there that it slowed up the job to have the appropriate welders doing the various odd jobs—that is a sheet-metal welder, an electrical welder, a pipe or fitter's welder, and so on, so we did it all. We want to have our own Welder's union as most of us are qualified to do any type of welding and it is nothing but a racket to make us pay \$30 to \$100 just to switch over a few feet on a job to weld a pipe instead of regular boiler-maker's welding. We want to have our own school and train the welders that will belong to our union.

I don't know what happened to my money. Somebody told me they bought \$15,000 defense bonds, but I couldn't actually verify this. I suppose a lot of it went in somebody's pocket.

EXHIBIT No. 312

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE

814 United States Court House

SEATTLE, WASHINGTON

Ben Van Etten, Bellevue, Washington.

Interviewed by McFadden, October 29, 1941.

I did belong to Boilermakers Local #541, at least I paid them \$120 to belong. \$90 of this was for a permit to go to work as a welder at the Lake Washington shipyards and \$30 was for my initiation fee. I asked for receipts for this money, but George Nelson wouldn't give me any, and said I was damn lucky to be working. Nelson further told me that they intended to ask 18 months' permit money in the future. I asked him where my money was going, but he wouldn't tell me that either. He just said to go on about my business and keep quiet. I may have the stubs of the money orders I sent, I don't know for sure.

When I did go to work I was an electrical welder; that is, I did that sort of work. Actually I wasn't to do anything but boilermaker's welding, but it turned out that I had to do what I was told or lose my job. The Boilermakers want us to break all the rules, so long as we do it for them.

EXHIBIT No. 313

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
434 Federal Office Building
SEATTLE, WASHINGTON

OCTOBER 30, 1941.

Howard Russell Coad, 7725 15th SW., Seattle, Washington.

Interviewed by Gareth M. Neville, October 29.

Member of Local 541 Boilermakers Union, Structural Steel, Ornamental Iron Workers, and Aeronautical Union. Not affiliated with A. F. L. Has been doing welding all the time. "I joined the Machinists Union and then got it cancelled and joined the Boilermakers." Said he joined the Machinists "January 11, 1939—just plain welding." Said Machinists card entitled him to do welding at Boeings. "There are two Unions that have bawled this thing up—751 is a sub-local of the Machinists—it is an aeronautical * * * to work at Boeing's you have to belong to the Machinists * * * the Boilermakers have no jurisdiction over that yard * * * so when I went to work at Boeing's I joined the Union to go to work * * * I wasn't very interested in the work and wanted to get into ship yards, I just got a cancellation of the card. I was out of work for sometime, so I joined 541 and have been working out of there ever since in the ship yards—but I have been doing machinists work—the Boilermakers have jurisdiction over all the machinists work in the yards in Seattle—it doesn't matter what type * * * so when I joined this Union I agreed to pay * * * I didn't even try to use Machinists card for machine welding at Todds * * * so went to work and paid my permit money (work at Todds)—\$1.00 a day for 90 days and when I got my card, they only put \$60.00 down. Probably someone ran off with the other \$30.00—I don't know." "It says 'the insurance premiums'—I got my insurance premiums without any date. My lawyer said it wasn't worth the paper it was written on. Union promised to get the matter fixed in the East. I paid \$1.25 for three months for insurance premiums and I have as yet not received anything to show for it." When questioned as to whether he had made any effort to have \$30.00 refunded by the Union, answered, "No, I didn't because I agreed to work for \$1.00 a day for 90 days—then initiation was \$30.00 more." "This is a receipt signed by George Nelson and here is another showing \$60.00 * * * I forced them to give me the receipt for \$90.00—so I can use it in my income tax." Card shows date as August 1941. "At the Yards we do all types of welding—doing machinist welding." "The pipe fitters had a little squabble * * * none actually came out and asked me to join."

EXHIBIT No. 314

[Submitted by United Brotherhood of Welders]

DISCRIMINATIONS AFTER WORK STOPPAGE

Complaint of:

Name: John W. Foster. Address: Leary, Texas.

Plant: Powder Plant. Location: Childersburg, Ala.

Welders affiliation: N. B. of W. and B. Local: No. 9.

A. F. L. Affiliation: Steamfitters International: ----- Local: No. 198.

Date of work stoppage: October 27th, 1941.

Date of attempted return to work: November 10, 1941.

Nature of grievance: Demanding all welders to return through the Steamfitters and be fined.

Required to clear through union hall: Yes.

Fines or assessments:

Refused direct employment: Yes.

Physical violence: No.

Any other data: I have worked on seven (7) different defense jobs in a period of twelve (12) months. Assessments as following: Millington, Tenn., 7 weeks, \$56, refused to give receipts; Sheffield, Ala., 8 weeks, \$6; Mobile, Ala., 3 weeks, \$9; Weldon Springs, Mo., 3 weeks, \$7.50; Baytown, Tex., 4 weeks, \$6; Texas City, Tex., 3 weeks, \$4.50; Childersburg, Ala., 10 weeks, \$12.75; total, \$101.75.

EXHIBIT No. 315

[Submitted by United Brotherhood of Welders]

INTERNATIONAL ASSOCIATION OF MACHINISTS,

LOS ANGELES LODGE No. 311,

Los Angeles, Cal., January 23rd, 1939.

Mr. C. CARDNO,

Business Agent, Lodge 1330.

Room 402, 1179 Market St., San Francisco, California.

DEAR SIR AND BROTHER: The situation of the welder down here gets no better. Open rebellion is taking place in the Boilermakers' Organization. The jurisdiction rows between the Pipe Fitters, daily gets more bitter.

I have been very outspoken on the matter, and there are a number of Welders, who are anxious that I should head a movement here for the complete independence of the Welder within the A. F. L., that he may work at the only trade he knows without having to carry a card in half a dozen unions.

I would appreciate it if you could send me as soon as possible by Air Mail preferred, information about your set-up—what jurisdiction previously claimed by others you have broken down; what progress has been made, and any other pertinent facts.

Kindest personal regards,

Fraternally yours,

JOHN QUEEN, *Business Agent.*

EXHIBIT No. 316

[Submitted by United Brotherhood of Welders]

INTERNATIONAL ASSOCIATION OF MACHINISTS,

LOS ANGELES LODGE No. 311,

Los Angeles, Cal., May 19th, 1938.

Mr. C. CARDNO,

S F. Welders Lodge #1330, I. A. of M.,

1179 Market St., San Francisco, Calif.

DEAR SIR AND BROTHER: The welding situation in this city grows daily more chaotic. Many welders are in open rebellion against the present system of having to carry cards in the Boilermakers, Ironworkers, Steam Fitters, Blacksmiths, Plumbers, or whatever union under whose jurisdiction they may be working.

We are attempting to have an exchange of cards instituted, but obviously, with men carrying insurance in a particular union, and with the impossibility of them keeping it up owing to heavy dues, as, for instance, a man joins the Boilermakers; his dues are \$4.50 per month, carrying a death benefit of \$1,000.00. When the Boilermaker's work finishes on a job, he may then transfer to the Steam Fitters, for a fee of \$3.00, but is obliged to pay a further \$5.00 per month dues making a total of \$9.50 per month. Naturally men kick against this injustice.

Knowing that your lodge is composed of welders, would you please let us know how things work out with your members. Is there any trouble on construction jobs? If a welder's lodge can be successful in San Francisco we are seriously considering the formation of such a lodge here.

With all good wishes, I am,

Fraternally yours,

JOHN QUEEN,

John Queen,

Ass't Business Agent.

EXHIBIT No. 317

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
434 Federal Office Building
SEATTLE, WASHINGTON

OCTOBER 29, 1941.

William Morris Eller, 6743 14th Avenue NW., Seattle, Washington.

Interviewed by Gareth M. Neville, October 28, 1941.

Was working for a private contractor by name of Anthony Del Gazzo, on permit from Steamfitters Union; acetylene welding at 95th NE. and Sand Point Way. Joined the Boilermakers' Union on March 28, 1941. Has been welding since 1934. Said he was a member in good standing in the Boilermakers, but that he was sent on the job by the Steamfitters, and in order to work on this particular job it was necessary to pay permit money to the Steamfitters Union. Had quit Lake Washington Ship Yards and put in application in the Steamfitters Local—sent out by Steamfitters on September 30, 1941. Declared, "I pay 25¢ a pay permit money to the Steamfitters each and every day I work." Said he had thought of becoming a member of the Steamfitters and had tried once before, but at that time they weren't taking any more members. In answer to question as to whether steamfitters could be classified as being under the jurisdiction of the Boilermakers, Eller said, "Absolutely no. Boilermakers don't claim any acetylene welding that I know of." Said he had been given a receipt for permit money paid to Steamfitters Union. Also, that \$2.00 was total of money paid (8 days). Said "I could work there for 10 years on permit * * *." Said he had no receipts from Boilermakers. "Was called November 26, 1940. * * * I worked 32 days, I believe, and paid 25¢ a day permit money, and then they raised the permit fee from 25¢ a day for 45 days to \$1.00 a day for 90 days before you could join. * * * Then I had the balance. * * * I paid a \$1.00 a day. * * * I was until March 28 getting it paid." Has received no receipt other than one for initiation fee. Said that he spoke to George Nelson in regard to receipts and was told that "my permit card was the receipt." Declared he was not ever told how money was to be used, and that he had never been threatened with physical violence. Said, "No; other than I was told that the Boilermakers claimed all jurisdiction in the ship yards." Unable to tell whether a given job is under the jurisdiction of a certain union. Said there was no strife between the Boilermakers and the Machinists concerning ship yard work. Replied he had never objected to practices in open union meeting. Said he "figured it was pay or no work. * * * he (Nelson) said that 'you will have to pay it or Fowler will pull you off the job.' I never heard any disputes or heard anything in the ship yards. I welded pipe, sheet metal, and machinists' work and everything out there, but I worked with the understanding that the Boilermakers had jurisdiction in the ship yards. * * * the Boilermakers claim it and they get it."

EXHIBIT No. 318

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
814 United States Court House
SEATTLE, WASHINGTON

OCTOBER 29, 1941.

Gerald John Hilbert, 13039 57th Avenue, South, Seattle, Washington.

Interviewed by Gareth M. Neville, October 28.

At time of strike was employed at Seattle Tacoma Ship Yards. Went to work under jurisdiction of Boilermakers, January 2, 1941, and card shows initiation date as 6/10/41. With exception of a couple of years, has been a welder since 1936. Has also belonged to Teamsters at Eugene, Oregon. In answer to question concerning payment of permit money, Hilbert said: " * * * was welding at Pacific Car & Foundry * * * my stubs show dates * * * \$1.00 a shift for 90

days * * * it is my understanding with business agent, Doug Fowler, to pay 25¢ a shift for 45 days * * * I worked two weeks * * * Fowler said they had voted to change the shift * * * so instead of paying 25¢ a day for 10 days * * * then it was \$10.00 * * * I had to pay it before I could go back to work. From that time on I had to report once a week and pay my \$5.00. I had to do that until \$90.00 was paid. Then I went out and made application for membership and paid them an additional \$30.00 initiation fee." Never given any receipts. Once requested receipt: George Nelson, the dispatcher, said "they didn't give any." Paid in cash. Did electric welding, under the jurisdiction of the Boilermakers, he believes, because work being done was for a mine net or "something." Was unable to tell how "jurisdiction" was decided by unions. However, furnished the following information: "Most generally you can tell by the type of work it is going into. * * * welding on a boat—that would come under pipe fitters; * * * engine work—that is all machinists' work." Declared that at the present time the Boilermakers claim all the work (with reference to work he is doing) and believes that they can properly claim jurisdiction. Said he would have to get "clearance" if work reached such a point that it would be necessary for him to change over to pipe fitting. Denied that he knew of any instance in which an individual member of the Machinists' Union or Pipe Fitters' Union had ever been forced to pay permit money to the Boilermakers for the privilege of welding within his own union's jurisdiction. In regard to payment of permit money, said that the first day he went in, he was told that he owed \$10.00 instead of \$2.50. Said he was told that "the men who had been working on the job for years had created conditions and had lost a lot * * * and that the fellows just coming in would have to pay for it." Said he had no concrete evidence, when questioned regarding any suspicions he might have about the Union's use of money received. Said the Union had recently bought \$15,000.00 worth of Defense Bonds. Said that "the last financial report was, as near as I can figure it took close to \$13,000.00 to run that union for three months." Said that apparently this permit money goes into a general treasury. Declared that he knew of no instance in which the business agent of the union took money and put it in his own pocket, but also said that so long as there are no receipts, no one had any proof. Said no one had ever threatened him physical violence—added, "no work if no pay." When asked whether he considered that a type of coercion, he replied, "You have to work to live in my business." Said he had never attempted to voice practices of permit money, etc., in open union meeting because "it wouldn't do any good. They would call you out of order before you got on your feet." Said that he had seen other people try it. Supplied Mr. Neville with slips from Company. * * *

EXHIBIT No. 319

[Submitted by United Brotherhood of Welders]

S14 UNITED STATES COURT HOUSE

SEATTLE, WASHINGTON

Dan McGillyray, 1715 18th Avenue, Seattle, Wash.

Interviewed by Vance on October 30, 1941.

McGillyray was not a member of any A. F. of L. local prior to his initiation in 541 in July 1941.

He started to work on January 2, 1941, on the payment of a \$1 per day permit. He asked Nelson, the business agent, for receipts at various times and these receipts were refused.

He checked the days on the calendar on which he paid the permit money. When had paid the \$90 as agreed he so told them and offered to pay the \$30 initiation fee. They looked up his record and said that he owed them \$3 more, which he paid, plus the \$30 and become a member of 541.

McG. has never paid any money to any other A. F. of L. union.

Under Local 541 he has been employed at the Lake Union shipyards; Todd's Dry Dock, and briefly at the Puget Sound Sheetmetal Works.

He welded pipe as well as other materials at both shipyards.

EXHIBIT No. 320

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE
434 Federal Office Building
SEATTLE, WASHINGTON

OCTOBER 31, 1941.

William H. Coats, Route 3, Box 500, Kirkland, Washington; Telephone, Kirkland 3086.

Interviewed by Gareth M. Neville, October 28.

Coats was working at Lake Washington Ship Yards at time of strike; had been there about two months; previously at Associated Ship Yards, Renton, and in business for himself. His story was as follows: "About July 1939 we moved to this State; I went down to Lake Washington and asked for a job, and the boss, Paul Morgan, said I could go to work; then we walked out from the shop and he asked me whether I had a card; told me to go to 541, where my machinists' card was not accepted; work was scarce at that time, and so they did not let me join their union. Then I got my own machine * * * got quite a bit of County work: worked for Dave McKinsey, King County shops; bitter feeling between Boilermakers' union and McKinsey because one Dick Lockett discharged because of being drunk so much of the time. When Lockett discovered that I was using my own machine for work at the County shops, he tried to pull a strike at the County unless I joined the Union and stopped using my own welding machine. I was eventually forced to tie my machine in my back yard and apply for admittance to the Boilermakers' Union. I started for the Boilermakers on November 14. The arrangement was that I was to pay 25¢ a day for each day worked. Shortly after this understanding, the fee was raised to \$1.00 a day and I was forced to pay about \$57.00 additional money. When this was paid in, I was forced to pay \$30.00 initiation dues, making a total of \$120.00 in all."

Coats was specifically questioned concerning the manner in which he was prevented by Dick Lockett from continuing in business. He declared that Dick Lockett was some kind of executive member of the union and had forced him to give up own machine; said threats he had received "were more to make me scared." "Lockett said he wouldn't like to burn my machine up and that I would save a lot of trouble if I joined the union. * * * First I tried to join the union, and then they wouldn't let me; when I made a success of my own business they intimated they would burn my machine up." Suggested this office contact McKinsey for further information. Said he always paid his permit money to Art Mace, Renton Car & Foundry, shop steward for 541, and never received any receipts—was given new permit card each week. Said he was making bulldozers and did not know whether it was under the jurisdiction of the Boilermakers or not—imagined it was, as they had their contract with Renton Car & Foundry; agreement says they will hire only boilermakers. Said he had been a welder for 15 years and had never run into anything quite so crazy as this; said it looked to him as though the welders are becoming the backbone of the money the Boilermakers are taking in * * *. I have never before seen fellows who have cards and are being forced to join other unions." Would like to go back to working on his machine; mentioned strong-arm tactics at Lake Washington this morning, outside men responsible; up until this morning there really has been no trouble. Declared he had solicited help from other Government offices when put out of business, but did not receive any.

EXHIBIT No. 321

[Submitted by United Brotherhood of Welders]

DEPARTMENT OF JUSTICE

814 United States Court House

SEATTLE, WASHINGTON

Paul Harrington, 11722 Linden Avenue, Seattle, Washington; Grant 3842.

Interviewed by Daly on October 29, 1941.

I have belonged to the Boilermakers Union since 1918; I came here from Montana on November 2, 1940. I was given a transfer card from the local there, which was honored by 541. I have been a welder for about 20 years. Since I wanted to do pipe welding here, I joined the Steamfitters Union here on June 10, 1941. I pay dues to both 541 and the Steamfitters: To the Steamfitters I pay \$4.15 per month and to 541, \$3.75.

If I were to completely perform a job entailing various phases of welding, I would have to join and pay dues to the following unions: Blacksmiths, Machinists, Sheet Metal Workers, and Iron Workers, before the job could be completed. These are all affiliated with the A. F. of L.

I have paid no permit money to 541, but did pay some permit charges to the Steamfitters; this amounted to 25¢ per day. From the time I came to Seattle until about three weeks ago, I have worked out of the Steamfitters Union, welding pipe; however, it is my understanding that I cannot get a withdrawal card from 541, but must continue to pay them dues.

Three weeks ago I was sent by 541 to the Seattle-Tacoma Shipyards, which is the first work I've done here for the Boilermakers. In these shipyards I can only do Boilermakers' welding, even though I hold a Steamfitter's card in good standing. I cannot even weld a pipe, but must get someone else to do so, if this is part of a job. This is because I was hired through the Boilermakers 541.

EXHIBIT No. 322

[Submitted by United Brotherhood of Welders]

J. D. VANCE, ANTI-TRUST DIV., U. S. D. J.

Wally Paul, 4058 So. 36th, Tacoma.

Joined Bridge, Structural and Ornamental Iron Workers Jan. 4, 1938. Initiation \$10—Ordinary \$100 but for one week they took in all who wanted to join for \$10.

For the next two or three months he didn't work but was forced to pay over and above his dues a work permit fee of either \$2.00 or \$2.50 per week.

After joining the union he was told that he couldn't work unless he was certified. He could have passed a certification test but if he did it on his own hook it would have cost him about \$60.

Couldn't get a job unless he was certified and couldn't get certified unless he had a job.

Charles Brinkerhoff, Rte. 6, Bx. 146, Tacoma, Wn.

Was gas welding (grout stop) at Coulee Dam on Boilermaker card. In 1938 (I think) Charles Clice of the Sheetmetal Workers claimed the work as coming under the jurisdiction of his union. Neither the Boilermakers Local #691 nor the contractor (C. B. L.) would grant that jurisdiction so he took it up with his International President. That gentleman took the matter up with J. A. Franklin, International President of the Boilermakers and convinced Franklin that the work belonged to the Sheetmetal Workers. Franklin signed a statement to that effect which Clice brought to Coulee Dam. The Boilermakers had no other gas welding to offer and at that time I was not an arc welder so I had to join the Sheetmetal Workers or I'd have been out of a job. I don't have my receipts but as I remember it the initiation fee was \$25.

That was bad enough but the pay off came when I applied to Boilermakers Local #691 for a withdrawal card. Was told that I was still working at the trade so was not entitled to a withdrawal card. Had to either pay dues into two unions or go delinquent in the Boilermakers—I went delinquent. When I came to Tacoma to work in the shipyard I had to reinstate in the Boilermakers to the tune of about \$33.

EXHIBIT No. 323

WASHINGTON, D. C., *November 18, 1941.*

OFFICIAL STATEMENT ISSUED BY INTERNATIONAL UNIONS REPRESENTING WELDERS

The International Presidents and their associates, affiliated with the Metal Trades Department, A. F. of L., and having members employed as welders, have met in Washington upon the request of the Office of Production Management. The specific request was that they should give consideration to certain alleged complaints and grievances which had been made by some of their welder members who had recently participated in a work stoppage in various parts of the United States.

It was understood that at the conference called by O. P. M., the welders, members of these International Unions, would be given every opportunity of presenting such complaints and grievances as they might care to, so that the actual facts could be ascertained and such understandings reached as would prevent a repetition of the welder's interruption and obstruction of vital defense work.

Upon arriving in Washington the International Representatives learned, through correspondence addressed to O. P. M., that the representatives of the complaining welders refused to attend the conference called in their behalf. Evidently their prime purpose was not to have O. P. M. listen to their complaints, but to organize a national body to combine all existing independent groups of welders and elect officers. It was only after this action that they were willing to begin a presentation of their complaints to O. P. M.

The welders whom the International Unions had consented to meet under the auspices of O. P. M. were those who, as members of these International Unions, had recently violated the provisions of their own constitution, had violated the agreements their International Unions had entered into with shipyards, building-construction contractors, and other employers, and who, in addition, had unpatriotically stopped production for national defense.

Had there been a straightforward desire to have any grievance, imaginary or otherwise, given consideration, the laws of their respective International Unions provided one means, the agreements their International Unions had entered into with employers provided another means, for these agreements, which prohibited all stoppage of work, embodied specific provisions by which all complaints and grievances should be taken up for adjustment.

The stoppage of work by these members placed every International Union in the position where it must carry out the provisions of the agreements negotiated with employers. These International Unions are convinced that if given the opportunity they can maintain the necessary discipline and supply all workmen required.

It is our deliberate judgment that the efforts of a few irresponsible leaders which resulted in recent stoppages of work on national defense was a movement not designed to assist the welder so much as that certain individuals had become the pliant tools of forces always at work in this nation to defeat the legitimate objectives of labor, and at the present time to interfere with production for national defense.

It was the welders who were the ones who selfishly, unnecessarily, and unpatriotically chose to tie up national defense. It was these welders who quit work in violation of the agreements with employers. It was these welders who refused to make use of the established methods for the proper consideration and adjustment of any grievance which might exist or may arise.

Under these circumstances the International Unions, regardless of the violation of agreements with employers and violation of their own trade-union laws, agreed that all of these welders, even though they had been responsible for

stopping work on national defense, would be permitted to return to their former jobs without any discrimination.

The records clearly indicate that there was no discrimination practiced on the part of the International Officers, their representatives and their membership. The records also show that no complaints ever made by any welder members have failed of examination and adjustment where they had merit.

These International Unions declare, without any reservation whatsoever, that they are prepared to give full consideration to any complaint or grievance, in the manner provided by their organizations' rules, which their welder members desire to present. The same International Unions also declare their purpose to actively cooperate with each other, so that all questions affecting their welder members can be adjusted with justice to them, and to establish thorough-going cooperation between the International Unions themselves over the entire field covered by the welding process.

Apparently the principal demand made by this group of welders was the granting of a national charter by the American Federation of Labor covering all welders. This the International Unions could not readily agree to, as it would mean the dismemberment of the organizations they had maintained for fifty years or more.

Apparently the dissatisfied welders, guided by their inexperienced, irresponsible leaders, have endeavored, through the stoppage of work, and the formation of a national organization, to take advantage of the urgent need for production in shipyards and in building construction and other manufacturing for the purpose of perpetrating a fraud upon those whom they claim to represent, and to force International Unions to ignore or violate the provisions of the binding contracts they have entered into with shipyards, with general contractors, and with individual manufacturers employing welders.

The purpose of the International Unions is to confer with all employers with whom they have agreements, so that a full and free opportunity will be given to examine into all grievances or problems arising from the process of welding metals, and to work for their adjustment.

This same assurance is given for a full hearing of all complaints which may come from any members of their respective organizations.

Should welders or any other members disregard these methods and those which are incorporated as a part of the agreements with employers, then the responsibility will be with them, and the responsibility of the International Unions will be to replace them. To maintain this necessary condition of industrial responsibility the International Unions expect to receive the cooperation of employers and of the Government.

There will be a flexibility in the performance of welder work in every shipyard which will prevent any unjustified interference with the orderly and continuous operations of production, this to be established through conferences with management and with the unions at interest.

The International Unions hold that it is not necessary for a workman performing welding to carry more than one union card, and furthermore, that there should be no excessive fees.

Under the circumstances the International Unions must, first of all, maintain the integrity of their own organizations and maintain compliance on the part of their membership with all agreements with employers which have been legitimately entered into. They have no other recourse if agreements with employers are to be of any practical value to the members of unions, and of outright service to the nation in this period of national emergency.

International Brotherhood of Blacksmiths, Drop Forgers and Helpers, Roy Horn, President; International Brotherhood of Boilermakers, Iron Shipbuilders and Helpers of America, J. A. Franklin, President; International Brotherhood of Electrical Workers; Ed. J. Brown, President; International Union of Operating Engineers, Wm. E. Maloney, President; International Association of Bridge, Structural, and Ornamental Iron Workers, P. J. Morrin, President; International Association of Machinists, Harvey W. Brown, President; International Molders & Foundry Workers Union, Harry Stevenson, President; United Association of Plumbers & Steamfitters of the United States and Canada, George Masterton, President; Sheet Metal Workers International Association, Robert Byron, President; Metal Trades Department, A. F. of L., John P. Frey, President, Joseph S. McDonagh, Secretary-Treasurer.

EXHIBIT No. 324

MEMORANDUM RE RECREATION

The entire recreation program inside of the Army camps is in the hands of the Morale Branch of the Army, and in cities adjacent to the camps and outside of the camps it is in the hands of the U. S. O. under the advisory guidance of the Federal Security Agency and the Joint Army and Navy Welfare and Recreational Committee.

A hearing to determine the present status of the recreation program would, therefore, involve detailed information about (1) the Morale Branch of the Army; (2) the Federal Security Agency; (3) the Federal Works Administration; (4) the United Services Organization; and (5) the Joint Army and Navy Recreational Committee.

The Morale Branch of the Army is set up under the Chief of Staff, with a Chief of its own, who is General F. H. Osborn. General Osborn works jointly with the Federal Security Administration and the Joint Army and Navy Recreational Committee. Under General Osborn there is an executive officer, Colonel Davis, who is the Assistant Chief of the Branch. Under the Executive Division the Branch is divided into 5 sections, Budget and Estimates Section, Personnel and Pay Roll Section, Coordination and Information Section, Supply Section, and Mail and Files Section. There are then five separate divisions, each with several sections under it, Welfare and Recreation Division, Planning and Research Division, Army Exchange Division, Morale Information Division, and Services Division.

Under the Welfare and Recreation Division there is the Welfare Section, the Recreation Section, and the Educational Section. Under the Planning & Research Division there is the Planning Section and the Research Section. Under the Morale Information Division there is the Publication Section and the Radio Section, and under the Services Division the Army Motion Picture Service Section, the Facilities Section, and the Library Service Section. Each of these sections is broken into several groups, as for instance the Recreation Section, in which we are primarily interested, which is divided into athletics, amateur dramatics, professional dramatics, songs, music, dances, and miscellaneous recreation.

The Morale Branch was established in March 1941 and is charged in the directive establishing it as a separate Branch, under such regulations as may be prescribed by the Secretary of War, with the operation in the War Department of those matters pertaining to recreation and welfare and all other morale matters not specifically charged to other War Department agencies. The work of the branch falls into three divisions: (a) study of factors affecting morale and dissemination of information obtained; (b) planning, development and stimulation of recreational activities appropriate to varying conditions of Army life; (c) operation of the Army Motion Picture Service and the Army Exchange Service.

Included in the duties of the Morale Branch is that of allotting funds to the corps area and department commanders for the purchase of recreation and athletic equipment, which corps area and department commanders suballot the funds to the units within their jurisdiction. In the fiscal year 1941, \$3,709,724 was allotted to the Morale Branch for purposes other than construction and for 1942, \$2,344,000.

In its athletic program, the Army reports that prior to the present tremendous expansion of the Army, facilities were adequate for the personnel accommodated, but that expansion of the Army to some seven or eight times its usual size has required an enormous amount of construction and that first priority was given to essential buildings such as barracks, mess halls, etc. However, construction has been started on service clubs, guest houses, recreational buildings, etc. The standard set-up now provides a day room for every company, a recreational building and post exchange for every regiment, and a large service club, a guest house, and two large theatres for every division. 37 field houses, each of which includes a gymnasium and numerous other facilities, are now under construction throughout the country. The Morale Branch reports that plans have been suggested to it for enlarging facilities or providing new ones, but that they have been rejected due to a lack of appropriated funds to carry them into effect. The same statement is made with respect to the construction of the all-purpose recreation buildings, the design and construction details of which have been approved. In explanation of the poor facilities in the camps in the South, the Army states that the climatic conditions permit outdoor athletics for most of the year.

The program of athletics in each camp is the responsibility of each separate commander, and it is the duty of the Morale Branch only to coordinate, stimulate, and develop these recreational activities. A general program of sports is under contemplation but has not yet had final approval. There is a subcommittee of the Joint Army and Navy Committee on Welfare & Recreation which operates as a civilian athletic advisory committee. The Morale Branch is at present preparing a Technical Manual of Sports & Games and a complete program for 1942 is now under consideration in the Staff. A guide for the use of regimental recreation officers is in the course of preparation.

In its educational program, the Army has recently completed an agreement with the International Correspondence Schools, of Scranton, Pennsylvania, to conduct correspondence courses for the enlisted men. In this connection, it would be interesting to know why the Army ignored the Home Study Council, a group of representatives of all the prominent correspondence schools after verbally promising to consult them before final arrangements were made. The use of local schools for class instruction for the men is left entirely to the discretion of the local commanding officers.

The U. S. Marine Corps offers instruction to its men through the Marine Corps institute, in which currently about one-fifth of the men of the Marine Corps are enrolled as students and in which the enlisted men themselves who are qualified serve as correspondence-course instructors. The Air Corps Institute offers courses chiefly with vocational application in the Air Corps.

The present athletic program of the Army is supposedly, according to the Army's own statement, based fundamentally on the Fosdick Report, issued at the end of the last War. Raymond Fosdick was in France during the War and during the period after the War before the troops were sent back to the United States and the greater part of his report deals with peacetime activity. He makes three major recommendations: (1) concentration on mass games; (2) a minimum of routine drill; and (3) development of amateur dramatics and activities of that nature, allowing the men self-expression.

Further, a Commission on Training Camp Activities was established during the last War which drew up plans for games and specifications for equipment necessary for these games.

An analysis of the chart showing the strength of the prospective posts and the facilities of each one reveals the following ridiculous situations: Camp Stewart with a strength of 17,000 men has 2 basketball courts and no gymnasium, no swimming pool, no football field, and no handball courts; Camp Blanding, with a strength of 50,000, has 3 tennis courts, no basketball courts, no football fields, no handball courts, no gymnasium (but 25 chapels). Fort Leonard Wood, with a strength of 40,000, has 1 football field, no handball courts, no gymnasium. The only camp in the list possessing a gymnasium is Fort Meade, which has one. Only 4 camps out of 12 have swimming pools and Fort Meade alone has 3. Indiantown Gap has listed as part of its equipment on hand 39 basketballs, and has no basketball court; and Camp Stewart lists 50 footballs as part of its equipment and has no football field. For a strength of 17,000 men it purchased in 1941 1 handball. It possesses 2 basketball courts, and in 1941, 121 basketballs were purchased. Camp Davis lists 18 basketballs and has no basketball court. Pine Camp possesses 13 basketballs, 15 baseballs, 51 baseball bats, and has no baseball fields or basketball courts. A comparison of Fort Meade with 27,000 men and Camp Blanding with 50,000 men is interesting. Meade has 3 swimming pools; Blanding has a lake. Meade has a football field; Blanding has none. Meade has 11 tennis courts; Blanding has 3. Meade has 31 volleyball courts; Blanding has 2. Meade has 10 bowling alleys; Blanding has none. Meade has 9 boxing arenas; Blanding has 3. Meade has 11 softball fields; Blanding has 2. Meade has a gymnasium; Blanding has none. Meade's allotment of funds for Welfare of Enlisted Men in the Army for year 1941 was \$28,029.03; Blanding's allotment was \$23,663.24.

Early in the preliminary stages of our defense program the President, the Secretaries of War and Navy, and the Federal Security Administrator called on six of the national welfare agencies to cooperate in the establishment of a program of recreation and welfare for the soldiers, sailors, and defense workers in communities where such help is needed. In response to this request the six following organizations incorporated the United Service Organizations, Incorporated—the Y. M. C. A., The National Catholic Community Service, The Salvation Army, The Y. W. C. A., The Jewish Welfare Board and the National Travelers Aid Association.

On February 8, 1941, a memorandum prepared in conference with the Secretaries of War and Navy, the Federal Security Administrator, and the Chairman of the Joint Army & Navy Committee on Welfare & Recreation, General Osborn, was submitted to the President and approved by him. This agreement provided for the construction of the necessary recreational buildings by the Government and the operation and staffing thereof by the U. S. O. This agreement endorsed a public campaign for funds by the U. S. O. to pay for such operation and provided that a public accountability of the funds would be made through the Federal Security Agency.

On July 3, 1941, the Community Facilities Bill was passed appropriating \$150,000, for the construction of the necessary buildings. The actual construction was placed in the hands of the Federal Works Administrator under the immediate supervision of Colonel Maurice E. Gilmore, Director of the Defense Public Works Division. Mr. Charles P. Taft was appointed Federal Security Coordinator and after the passage of the bill a considerable period of negotiation elapsed during which the work done by the Federal Security Agency in selecting sites and developing building specifications in cooperation with the U. S. O. and the communities concerned was worked out with the Federal Works Administration.

By September 24th no construction had begun. Mr. Thomas E. Dewey, who had been in charge of the U. S. O. fund raising campaign, came to Washington to investigate the causes of the delay and after conferences with General Osborn, Mr. Stimson, Mr. Bard, Assistant Secretary of the Navy, and others, and after a further lapse of four months, the construction work was placed in the hands of General Somervell. As of December 5, 1941, the Army announced that contracts for the construction of 167 U. S. O. buildings had been awarded, and that a total of 216 will be built, and that the completion date for the majority is scheduled for December 15, 1941.

The U. S. O. is a corporate body, having a Board of Directors made up of forty members, that is, five representatives from each of the participating agencies and ten members at large. The National Headquarters Office is located in the Empire State Building in New York City. The fund-raising campaign is now completed, and there are at present 500 workers in the field, operating in tents or portions of buildings. When construction is completed, the plans are that an individual organization will take over each building and staff and operate it, with perhaps one of the other organization using a room for an office.

"EXHIBIT No. 325" introduced on p. 3761, is on file with the committee

EXHIBIT No. 326

DATA FOR CONGRESSIONAL HEARING, PLANNING DIVISION, NOVEMBER 8, 1941

OUTLINE

Subject:

History of the Morale Branch:

- Initial Development.
- General Munson's Study—1918.
- Morale Branch—1918-1919.
- "Management of Men."

Fosdick Report and Adaptations of Policy:

- Army Responsibility Within Camps.
- Welfare Agencies in Civilian Communities.
- Lapse of Morale Branch Following World War.
- Regular Army Adopts Policy Recommended.

Planning of Policy: MR 1-10.

Activation of Morale Branch:

- Responsibility of Commanders.
- Army Motion Picture Service.
- Post Exchange.

Functions of the Morale Branch:

- Control and Coordination.
- Morale Work in the Field.

Personnel in the Field. (See Supplement, Letter 10-10-41.)

Subject—Continued.

General:

- Decentralization of Records.
- Chain of Command.
- Consideration of Morale Branch Activities.
- Organization of Morale Branch.
- Consideration of Morale Factors:
 - Leadership.
 - Personnel.
 - Conviction of Necessity for Preparation.
 - Pay Promotion, etc.
 - Discipline.
 - Recreation and Athletics.
 - Welfare.
- Report of Visiting Officers.
- Report from Arms and Services.
- Unit Morale Reports.
- Press Reactions.
- Analysis and Utilization of Data.
- Experimental Survey.
- Special Study of Negro Troops.
- Morale Officer Personnel.
- Morale Officer Duties.
- Hostesses.
- Librarians.
- Training of Morale Personnel:
 - Preparation of Manuals.
 - Instruction Courses.
 - Uniforms and Insignia.
 - Liaison with Civilian Agencies.
 - Maneuver Studies.
- Liaison with the Field:
 - Conferences.
 - Distribution of "Notes on Morale Activities." (See Exhibit)
- Factors Affecting Morale:
 - Pay.
 - Promotions.
 - Furloughs.
 - Transportation.
 - Saluting.
 - Formations.
 - Bathing Facilities.
 - Hospital Benefits.
 - Discipline.
- Other Factors Affecting Morale:
 - Legal Aid.
 - Demobilization Morale.
 - Leisure Time Education.
 - Special Movies.
 - Information on Current Affairs.
 - Lectures.
 - Camp Newspapers.
 - Salacious Literature.
 - Personnel Replacement Foreign Bases.
 - Revision "Management of Men."
 - Study of World War Morale Activities.
 - Preparation of Bibliography.
- Civilian Morale:
 - Service Flags.
 - Revision of Forms 202-203.
 - Recognition of Civilian Service.

HISTORY OF THE MORALE BRANCH

The first systematic effort in morale work, as such, in the military forces of the United States was undertaken by General E. L. Munson at Camp Greenleaf in 1918. At that time the science of applied psychology was being developed in our

universities. General Munson attempted to find out what psychological factors produced the maximum of effort and esprit de corps on the part of soldiers, and likewise to determine which of such factors were deterrents to good morale.

Consequently, the Morale Branch of the General Staff was created to study, devise, and put into effect the psychological measures among the troops to produce and maintain good morale. The Morale Branch, in 1918 and 1919, made a series of studies and produced suggestions for morale officers, transmitted to the field.

Morale work at this time consisted of studying and applying the factors of leadership to the management of men. The results of this experience were embodied in a work by General Munson, his "Management of Men," which is still a standard text concerning Army morale. It is to be noted that the Morale Branch at this period was directly a General Staff agency. Furthermore, it is also to be noted that it did not purport to maintain or operate any facilities for welfare, entertainment, or diversion for soldiers. The organized work for recreation and welfare in the armed forces was conducted by private religious and welfare organizations whose work was coordinated to a considerable degree by the Commission on Training Camp Activities, under the chairmanship of Raymond Fosdick. Major determinations made by this committee during the World War were, first, that the Army should be responsible for recreation and welfare work within camps; second, that mass athletics, particularly boxing and bayonet drill, were a definite part of the training program; third, that such philanthropic agencies should conduct welfare and entertainment activities for soldiers in communities adjacent to camps; fourth, that organized efforts of State and Federal agencies to eliminate prostitution and to exterminate venereal disease were required.

Following the World War the Morale Branch passed out of existence, as did the Commission on Training Camp Activities. With the demobilization of the Army, the functions which had pertained to both the Morale Branch and the Commission remained operative, if at all, in the office of the Adjutant General, which is the agency primarily concerned with personnel. Certain lasting policies were evolved from the World War experience. Recreation and athletics were carried into the training program of the Regular Army, and still constitute a part of that program. The War Department officially approved the policy of handling all recreation and welfare activities for soldiers within the military establishment, a policy which has been followed until the present.

In planning for emergencies which might demand the expansion of the Army, the War Department adopted mobilization regulation 1-10. This provided that the G-1 Section of the General Staff would be responsible for all matters of policy relating to personnel; that at the appropriate time there would be activated in the War Department an agency to handle morale work. The Morale Branch is that agency, activated by War Department letter WD 353.8 (3-3-41) M, of March 8, 1941. This expanded the Morale Division heretofore in The Adjutant General's office, creating a "Branch" of the Army under a Chief of the Morale Branch. So far as the allocation of funds and personnel for its work are concerned, it has still an indefinite relationship to The Adjutant General's office in respect to fiscal matters and civilian personnel. This directive provided that the Morale Branch would have no personnel in the field. The full responsibility for the morale of Army units rests upon the troop commanders. The Morale Branch is not a general staff agency, although its purpose is to advise the Chief of Staff. Policy determinations still are retained by the G-1 Section of the General Staff and recommendations of the Morale Branch must proceed through that agency. Restatement of some morale directives has been made by official letters from time to time and GO #2.

During the years following the World War the Army Motion Picture Service became a baby enterprise to provide entertainment for soldiers. It operated directly under the Army and was assigned to The Adjutant General for administration. Likewise, the post exchanges, through the Army, developed and provided the soldier with standard items of merchandise, as well as military equipment and supplies, engaging from time to time in recreational activities as well. These operative functions were transferred to the Morale Branch for administration, but constitute a distinct analogous portion of its work.

FUNCTIONS OF THE MORALE BRANCH

As provided in the letter of the Secretary of War of March 8, 1941, the functions of the Morale Branch are:

(a) It shall develop means and facilities within the War Department which, when supplemented with information to military personnel for directing and

executing morale measures, will assist commanders in maintaining a high state of morale in the Army.

(b) It may make necessary research on specific morale problems, including the problem of the individual, which should be developed for dissemination to the Army.

(c) It shall study existing regulations and procedure pertaining to the morale factors referred to in Mobilization Regulations 1-10 (Morale), and make appropriate recommendations for improving or regulating the administration of such factors.

(d) The Chief of the Morale Branch will study conditions which affect the morale of personnel assigned to duty in the War Department and make appropriate recommendations for their improvement.

CONTROL AND COORDINATION

The control and coordination of Morale Branch work as provided by the letter of the Secretary of War is as follows:

(a) The Morale Branch shall function directly under the supervision and control of the Chief of Staff. It is charged, under such regulations as may be prescribed by the Secretary of War, with the operation in the War Department of those matters pertaining to recreation and welfare and all other morale matters not specifically charged to other War Department agencies. The Chief of the Morale Branch will develop methods and procedures which will enable him at all times to know the state of morale of the Army. In accomplishing these missions he will conform to normal channels of command.

(b) The Morale Branch will operate under policies developed through the procedure established in paragraph 5, AR 10-15. Primary consideration of all such morale policies will rest with the Personnel Division of the War Department General Staff.

(c) The Chief of the Morale Branch is authorized to arrange directly with chiefs of all other arms or services in the matter of obtaining routine and special reports for the compilation of morale data pertaining to the Army.

(d) The Chief of the Morale Branch is authorized to communicate formally with the various Federal agencies and departments, State and local governments and individuals on morale matters in accordance with established War Department policies.

MORALE WORK IN THE FIELD

The complete control of morale work in the field, including recreation and welfare in Army posts, is vested in the Army commanders concerned. The Morale Branch has spent some months in studying the needs of these commanders for assistants in doing morale work and in providing for recreation and welfare of the soldier. Certain of the larger commands were authorized to appoint morale officers in March 1941. On October 10, 1941, additional assistance was authorized, and full-time officers for recreational work were authorized for regiments, replacement training units, separate battalions, and analogous organizations. Authorization also was given to utilize enlisted men for clerical assistants to morale officers where civilian assistance was inadequate or nonavailable. During the same period of time the Morale Branch itself was being organized. It became necessary to determine the scope of its activities and its own need for qualified officers to study morale matters and to assist the Chief of the Morale Branch in making recommendations. These officers have been drawn both from the Regular Army and the Reserve components. Their qualifications for this work are excellent, and as they have become familiar with problems affecting morale and with the problems affecting the administration of recreation and welfare activities, their productivity has continually increased.

The Morale Branch, like all War Department agencies making studies of the Army, must rest its conclusions upon data derived from the Army itself. The entire trend of administration in the Army has been that of decentralization, in order that the field commanders might have the greatest latitude and mobility for operations. By the same token, the resulting decentralization of records leads to great delays in procuring data necessary for any scientific and accurate surveys of matters relating to personnel. The directives governing the work of the Morale Branch require that communications with the field be through the chain of command. The Morale Branch therefore does not communicate directly

with any morale officer in the field. It must transmit its suggestions from the top down through the chain of command, and most of its information must be derived in the same way. Until the present a great deal of study has been required, and a great deal of time has been consumed, attempting to devise suitable methods to procure needed information expeditiously. This has not prevented the Morale Branch from conducting studies in fields from which data was available. Some of these studies are indicated later on in this report. These studies have been submitted to other War Department agencies for consideration and appropriate action. The Army Motion Picture Service has continued its function of supplying moving-picture entertainment to the troops. The entire Post Exchange System within the Army has been reorganized, making that system comparable to chain-store operation. Previously, Post Exchanges were cooperative ventures maintained by units in the several Army posts, camps, and stations. Profits were shared by the units engaged in the enterprise. The rapid expansion of the Army and the multiplication of new units, each without funds with which to participate in post-exchange ventures, made it necessary to devise a system in which all units might participate. This has now been accomplished. The profits so derived are available to each organization in the Army for its own welfare.

The internal work of the Morale Branch has been organized into divisions. The Planning Division has been set up to assist the Chief of the Morale Branch to devise plans for the work of the Morale Branch. It is a staff agency within the branch. The Morale Research Division is now set up for special research concerning the psychological factors in the morale of the troops, and is preparing to accumulate data for this purpose. The Editorial Division, embracing the Publication Section, and the Radio and Pictorial Section, is designed to disseminate helpful information concerning morale activities to the field. The Welfare and Recreation Division is set up to advise concerning welfare measures, recreation, leisure-time education, athletics, soldiers' insurance, legal aid, and kindred matters. The Services Division has been active in matters concerning recreation, leave, camps, service clubs, guest houses, and other similar installations for the troops. The Executive Division is concerned with the administration of the Morale Branch itself, and includes, at the moment, a special section devoted to studying and planning for the needs of the soldiers at the Atlantic, Caribbean, and other bases.

CONSIDERATION OF MORALE FACTORS

1. *Morale Factors.*

Factors which affect morale or esprit de corps in the military service include the following:

(a) *Leadership.*—Ability, training, and experience of officers, both commissioned and noncommissioned.

(b) *Personnel.*—Number, background, and character of men in the armed forces, and state of their training, including consideration of racial and linguistic influence, and sectionalism or absence of it.

(c) *Conviction* in the soldier that the United States is in danger and that his services are essential to preparedness, and that the country is behind him. In other words, good morale in the soldier reflects good morale in the citizenry, and vice versa.

(d) *Military Factors Related to the Individual Inducing Good Morale.*—

- (1) Pay.
- (2) Promotion.
- (3) Decorations and awards.
- (4) Uniforms.
- (5) Religious ministrations.
- (6) Ceremonies.
- (7) Leaves of absence and furloughs.
- (8) Individual development and education.

(e) *Discipline.*

(f) *Recreation and Athletics.*

(g) *Welfare.*

- (1) Religious ministrations.
- (2) Insurance.
- (3) Red Cross Welfare service.
- (4) Education.
- (5) Library service.
- (6) Post exchange.
- (7) Legal services.

STUDIES MADE AND RECOMMENDATIONS

1. *Securing and utilizing information or data on state of morale of the Army:*

(a) Officers of the Morale Branch visit large-scale maneuver areas, camps, posts, and stations, observing morale factors and their application, and report as follows:

- (1) Formal Reports.
- (2) Narrative Reports.
- (3) Special Reports covering information required for various studies.
- (4) Verbal Reports.

(b) Factual and statistical data is received from other Arms and Services as follows:

- (1) Extracts from reports of Inspector General's department.
- (2) Special subjects for inspection at request of Chief of Morale Branch from I. G. D.
- (3) Extracts of G-1 officers' reports, if applicable.
- (4) Monthly reports of general courts-martials from Judge Advocate General.
- (5) Weekly sick and venereal reports received from Surgeon General.
- (6) Other special information requested as appropriate.

(c) Monthly reports from tactical units and corps area installations covering a wide range of morale factors. (Tentative report completed to be submitted to G-1 for approval.)

(d) Continuing study and compilation of press reactions covering certain morale factors.

(e) Analysis, compilation, and utilization of data obtained regarding morale factors.

- (1) Reports abstracted and appropriate entries made on card file of individual installations.
- (2) Appropriate information forwarded to interested divisions.
- (3) Files maintained of various morale factors, both negative and favorable.
- (4) Corrective measures recommended as a result of study of information compiled.

(f) A tentative planning survey to include study of all factors favorably or unfavorably affecting morale, through application of techniques developed in the social sciences and used by industry and by other government agencies. Experimental testing of procedures and schedule has been completed on a small scale at a Replacement Training Center.

(g) Special study and correlation of factors affecting morale of Negro troops.

(1) Location and composition of Negro units ascertained and classified as follows:

(a) Geographical location of Negro units.

(b) Composition of Negro units relative to state from which inducted.

- (2) Continuous study of proportion of White and Negro officers assigned to Negro units.
- (3) Analysis and recommendations relative to recreational facilities available to Negro troops.
- (4) Continuous study and compilation of press reactions relative to racial problems in its application to Negro troops.
- (5) Continuous study of Military Intelligence and Inspector General reports as applicable to racial problems.
- (6) Information as compiled is made available and is supplied to other Arms and Services upon request.

2. *Morale Organizations and Administration.*

(a) Study and recommendation of military personnel for morale activities resulted in providing full-time morale officers in corps areas and appropriate camps, posts, and stations. In tactical units morale officers are provided in all headquarters of a division or higher echelon. Recreation officers, full time, are provided in regiments.

(b) The functions and duties of morale officers and other military personnel engaged in morale activities were studied and recommendations forwarded to G-1.

(c) Study is now in progress considering the need for additional hostesses in service clubs.

(d) Study is now in progress relative to personnel for the Army library service.

(e) Studies were made relative to the training of morale personnel in the field. Provisions were made authorizing Army, Corps, and Corps Area Commanders to hold conferences of Morale Officers in their respective commands.

A meeting of Army, Corps, and Corps Area Morale Officers will be held in the office of the Chief of the Morale Branch in December 1941 for the purpose of instruction and dissemination of information relative to morale activities, one such conference having been held February 25 to 28, inclusive.

(f) Studies have been made and material compiled relative to the preparation of manuals for use of officers in the field as follows:

(1) Manual for morale officers. (In progress.)

(2) Manual for recreation officers. (In process of publication in tentative form.)

(3) Manual for hostesses. (In progress.)

(g) Study is now in progress planning instruction courses for hostesses and librarians.

(h) Study and affirmative recommendation was made relative to appropriate uniforms and insignia for hostesses and librarians.

(i) Study relative to the introduction of a course in morale work for service schools is in progress. This has been experimentally tried out at The Adjutant General's School, Arlington Cantonment, Virginia.

(j) A study of the relationship between the military establishment and civilian agencies in the Army morale program was carried forward, resulting in publication of pertinent information to the field.

(k) Study of morale activities during large-scale maneuvers resulted in publication of appropriate directives.

3. *Liaison with the field on matters relative to morale activities.*

(a) In addition to studies and recommendations concerning War Department directives relating to morale activities and the conferences held with morale officers, the following means are also used for liaison purposes:

(1) Officers of the Morale Branch who are specialists in their respective field, during the course of their routine visits and on special trips, confer with commanders and morale officers in the field, giving them advice and suggestions based upon experience.

(2) Notes on Morale Activities is a six-page paper prepared by the Morale Branch. Approximately 7,500 copies are forwarded monthly from Washington to camps, posts, and stations for distribution to commanders, morale officers, and recreation officers. This publication is utilized for the exchange of appropriate morale information between various units of the Army. Only programs and activities of proven value, based upon experience, are included as material is compiled from suggestions forwarded from the field and upon information obtained by Morale Branch traveling officers. "Notes on Morale Activities" is designed to stimulate, through suggestion, all types of morale activities. (Additional information on "Notes on Morale Activities" and volumes 1 to 7 are presented as an exhibit.)

4. *Factors involving military policies and facilities as they affect morale.*

(a) Study, pay, and allowances for commissioned and noncommissioned officers.

(b) Study of methods of promoting and removing officers.

(c) Study of the furlough system, with recommendations:

(1) Furlough recommended for selectees at termination of 13-week training period at Replacement Training Centers (W. D. Circular #200, authorizing liberalized furlough policy followed).

(d) A study of the advisability of free transportation for enlisted men on furlough is in progress.

(e) Study saluting off military reservations is in progress.

(f) Study relative to optional elimination of roll-call formation at reveille, recommended continuation.

(g) Study of bathing facilities on maneuvers.

(h) Study of the status of enlisted men at recreation areas with reference to hospital benefits; J. A. G. concurred in interpretation of Army Regulations granting such benefits.

(i) Studies relative to administration of military justice, including study of Articles of War and manual of courts-martial.

(j) Study of policies regarding military prisoners.

5. *Other Factors Affecting Morale Not Otherwise Classified.*

(a) Study of legal aid organizations offering assistance to military personnel, resulting in publication of list of such organizations to all echelons of the Army.

(b) Study is in progress relative to demoralization morale activities in cooperation with the Selective Service Board.

(c) Study is in progress as to the relative merits of introducing a leisure-time vocational education system.

(d) Study as to the advisability of the production of a motion-picture film of Coyle's "America" was referred to G-3.

(e) Studies have been conducted relative to the use of training films in Leadership and Americanism, and representatives of the Morale Branch are at present in contact with G-2 and Signal Corps relative to the project. At the suggestion of G-3 that the Morale Branch prepare current affairs information items to be imparted to the troops by commanding officers, it was recommended that this project should be coordinated with G-2.

(f) Study of the advisability of Citizenship lectures at replacement-training centers resulted in Morale Branch concurrence with G-3 on this project.

(g) Study of the value and utilization of camp newspapers to enhance morale is in progress.

(h) The study and the collection of data on the reactions of demobilized military personnel toward the Army is in progress.

(i) Study relative to the banning of salacious literature from military establishments is in progress.

(j) Study relative to replacement of personnel at foreign base camps was conducted, and concurrence for directives establishing such procedure was given.

(k) Revision of General Munson's book on "Management of Men" is in progress.

(l) A survey of World War material and the acquiring of files on World War activities is in progress. Material now compiled is being utilized for study as it relates to current morale activities.

(m) The bibliography of publications relative to military morale is in the course of compilation.

6. *Stimulation of Civilian Morale as Affecting the Army.*

(a) Study was conducted as to advisability of the use of a service flag to show relatives in military service. No action was recommended.

(b) Study of the revisions of Forms 202 and 203 which was used to keep soldier's relatives informed of his whereabouts as routine action was concurred in.

(c) A study was conducted as to the advisability of the awards to civilians donating services for entertainment of the Army resulted in recommendation that no award be made, but that appropriate letters be written these civilians thanking them for their services.

WAR DEPARTMENT

THE ADJUTANT GENERAL'S OFFICE

WASHINGTON

OCTOBER 10, 1941.

Subject: Officers and enlisted men for morale activities.

To: Chief of Staff, GHQ.

Commanding Generals, all Armies, Corps Areas, Departments, Air Force
Combat Command, all Air Forces, Alaska Defense Command, and all Base
Commands.

Chief of the Armored Force.

Chief of the Army Air Forces.

Chiefs of Arms and Services.

Commanding officers of all Exempted Stations.

1. *General considerations.*—The commander alone is responsible for the morale of his unit. His responsibility in this regard cannot be delegated to subordinates. Special staff officers to assist in all matters of morale, recreation, and welfare are authorized as hereinafter indicated.

2. *Special staff officers for morale activities.*—(a) *Division and higher units (other than air units) and replacement training centers.*—A minimum of one qualified officer of suitable rank will be assigned to each of the following headquarters and designated as the morale officer:

General Headquarters, Army, Army Corps, Corps Area, Department, Division, Armored Force, Armored Corps, Armored Division, Alaska Defense Command, Base Command, Replacement Training Center.

The assignment of additional officers as full-time assistants is authorized when warranted. The assignment of two additional officers as full-time assistants to the morale officer at corps area, department, and division headquarters is believed desirable. Particular circumstances may require more than this number.

b. *Units smaller than division, including replacement training units.*—In regiments, separate battalions, or organizations analogous thereto, one full-time officer other than a chaplain will be designated as a recreation officer, who will be specifically charged with assisting the commanding officer in matters pertaining to recreation and welfare. Pending the revision of paragraph 6d (2), MR 1-10, the provisions thereof permitting this duty to be performed in addition to other duties will be suspended in such cases. Where it is practical to group several non-regimental battalions, as in the case of the artillery battalions of the triangular division, a full-time recreation officer will be assigned to the group rather than one to each battalion.

(c) *Battalions, companies, troops, and batteries.*—Officers may be designated in battalions, companies, troops, and batteries as recreation officers, but in such cases the duties to be performed will be in addition to their other duties.

(d) *Army Air Forces.*—(1) Commanders of the following headquarters are charged with providing a qualified officer for morale activities on their staffs, and designated as the morale officer: Chief of the Army Air Forces; Air Force Combat Command; Chief of the Air Corps; First, Second, Third, and Fourth Air Forces; Air Corps Training Center; Air Corps Technical Training Command.

(2) A qualified officer will be assigned as morale officer to the headquarters of Army Air Force stations, including Air Force Combat Command stations, Air Corps stations, and all other air installations, in which the prevailing conditions or the strength of the personnel appears to warrant such assignment. Non-Air Corps personnel of any such station will be taken into consideration. For each station command it is normally considered appropriate to assign as morale officer one qualified full-time officer, branch immaterial, from the base group. The assignment of additional officers as assistants to the morale officer in air groups, or in replacement or training centers, or other large installations is authorized when warranted.

(e) *Posts, camps, and stations.*—A full-time morale officer will be assigned to the headquarters of all posts, camps, or stations where the prevailing conditions or the troop strength appears to warrant such assignment. The assignment of additional officers as assistants is authorized where warranted. The assignment of one additional full-time officer at posts having field forces approximating the strength of a division, and two additional full-time officers where such strength approximates that of two divisions, is considered appropriate. The importance of assigning qualified officers for this type of duty at newly activated posts, camps, and stations outside of continental United States will be adequately recognized.

3. *Enlisted men for morale activities.*—Commanders of all echelons are authorized to detail enlisted personnel to assist staff officers assigned for morale activities, when civilian clerical assistance is inadequate or not available.

4. *Procurement of officers.*—(a) The above provisions do not alter existing tables of organization or allotments and it is contemplated that assignment of additional officers for morale activities herein directed or authorized will be made from officers available to commanders concerned in both tactical units and installations. The officer overstrength authorized in most tactical units should permit the replacement of officers when necessary to fill the positions vacated.

(b) In regiments, separate battalions, and similar separate units where no overstrength is present, the recreation officer directed for assignment in paragraph 2b above will be initially withdrawn from some position now authorized in the unit and replaced by an officer from any overstrength provided subsequently.

(c) In exceptional cases where existing tables of organization or allotments, together with officer overstrength now authorized, are insufficient to permit the

assignments herein directed or authorized, report with suitable recommendation will be made, through channels, to the War Department.

By order of the Secretary of War:

E. S. ADAMS,
Major General,
The Adjutant General.

EXHIBIT No. 327

SERVICES DIVISION

OUTLINE

Section 1—Recreational Facilities.
Section 2—Army Library Service.
Section 3—Hostesses and Librarians.
Section 4—Recreational Camps.
Section 5—United States Army Motion Picture Service.

SECTION I.—RECREATIONAL FACILITIES

SERVICE CLUBS

Service Clubs are intended to provide the best features of club life for enlisted personnel, members of their families, and civilians permanently employed within a command. These clubs have been recognized as the centers of the community interests of organizations serving at post, camps, and stations. Whether the activities of such clubs shall center under one roof, or under several, is determined by the local commander; but they in no way supersede or interfere with the conduct and operation of company day rooms provided individually for each separate company, or similar unit.

Service Clubs are supplied with the necessary installation and equipment to provide recreational and social activities in which women are included, such as dances, musicals, parties, etc., a cafeteria and place of meeting of enlisted men, their families and women friends. The original standard design of these clubs included accommodation for taking care of women and children who, through emergency, might be detained in camp overnight.

Service Clubs existing at military posts and camps at the beginning of the present emergency are continued in operation, unless the emergency demands the use of their space for other purposes. As the process of mobilization continued additional service clubs, as authorized by the War Department were established in those posts and camps where required, on the basis of not to exceed one club for each 5,000 enlisted men served.

Chiefs of Arms and Services and corps area and department commanders submit recommendations to the War Department for the establishment of additional Service Clubs. In the early part of September 1940, a study was made by the newly created Morale Division, Adjutant General's Office of the construction plans for the standard type service club known as the SC-2 type. This study indicated that certain structural features made it unsuited to fulfill its full mission on September 17, 1940, a memorandum was prepared and forwarded to the G-4 Division, General Staff setting forth the deficiencies of the SC-2 type club and recommending the adoption of new plans. This resulted in the development of plans for a completely redesigned facility, known as the SC-3 type Service Club as is now provided for larger garrisons where old Service Clubs were non-existent or inadequate.

This plan provided a large kitchen and cafeteria, dining room seating 120 persons, a soda fountain and a main lounge room approximately 60' x 80' suitable for conducting dances or other social activities, toilets, cloakroom, and offices on the first floor and space for housing a 5,000-volume library, 2,000 square feet of floor space for reading, writing, and general library activities on the second floor and balcony. This building was estimated to cost an average of \$64,000.

Appropriated funds (WEMA) in the amount of \$16,500 are made available to the post commander for the purpose of completely equipping each SC-3 Service Club authorized at that post. This equipment includes a 5,000-volume library

with all the necessary library equipment and supplies required, Cafeteria furniture and equipment and lounge equipment.

Since these clubs were erected and furnished by the Government for the use of enlisted personnel it was not considered desirable or necessary to assess charges against enlisted men and their guests for admission to any of the social functions held therein and all Commanding Officers were so informed. It was later realized, however, that in conducting dances, certain conditions might occur requiring funds for transportation of guests and other expenses which might prevent such entertainment. Authority was given Commanding Officers concerned on September 29, 1941, to make a nominal admission charge to those attending dances, sufficient to defray the costs involved. This did not alter the "full-use policy" as the basic principle of operation.

One of the features considered undesirable of the previously designed club was the inclusion of guest rooms and Hostess quarters on the second floor. The new plan provides these accommodations in a separate building known as a Guest House to be constructed as an adjunct to the Service Club and located in close proximity to it.

These Clubs and Guest Houses were constructed in accordance with the provisions of War Department construction policy, supplement #4, dated October 9, 1940, established by the G-4 Division General Staff. It will be noted however that the standard Guest House was not provided on the same basis as the standard Service Club. It was generally based on a minimum strength of 10,000, but provision was made for its authorization for posts of more than 5,000 when the isolation of the camp made its construction essential.

This Guest House was designed to provide four suites of two rooms each, and separate bath for each Hostess and Librarian permanently quartered at the post, overnight accommodation for a maximum of 56 guests and a lounge or foyer for use as a day room. The over-all dimensions of this building are 29' 6" x 130', containing 28 bedrooms for overnight guests, each 10' x 12'. The estimated cost of construction including utilities is approximately \$32,000.

Since this building was designed for emergency use it was decided by the G-1 Division of the General Staff, and a directive issued stating that the initial furnishings for these buildings should be kept to a minimum of essential items necessary to provide sleeping accommodations and should be furnished either from Quartermaster stock or from nonappropriated funds available locally. Recommendation was made to the General Staff by the Morale Branch that the table of allowances for Posts, Camps, and Stations be amended to include the necessary items of bedding and furniture. It was felt that other desirable items such as rugs, furniture, pictures, drapes, etc., would be provided from profits derived from the operation of the Service Club Cafeteria.

It was decided that a nominal charge should be made to guests occupying this facility to defray the cost of laundering linens and providing necessary chambermaid and housekeeping service. The usual charge is 50 cents per night per person.

A growing demand for separate recreational facilities for use of colored personnel comprising a portion of the garrison at many posts and camps resulted in a directive from the G-4 Division, which was published on December 10, 1940, as supplement #8 to the War Department construction policy. This supplement provided construction of welfare and recreation facilities for colored troops which were a part of a composite garrison on the same basis as if the colored contingent formed the garrison of a separate camp, and, in accordance with policies established for camps in general, was based on the strength of the colored troops present.

The operation of this policy together with the obvious necessity of providing facilities for garrisons below 5,000, resulted in a modification of policy and of construction designs, generally in accordance with the following:

- (a) Strength between 3,000 and 5,000; small service clubs known as SC-4.
- (b) Strength between 500 and 3,000, modified KB 1 for use as service club.
- (c) Strength between 6,000 and 10,000 guest house, 21 guests.
- (d) Strength between 4,800 and 6,000, guest house, 18 guests.
- (e) Strength between 3,600 and 4,800, guest house, 14 guests.
- (f) Strength between 2,500 and 3,600, guest house, 10 guests.
- (g) Strength between 1,500 and 2,500, guest house, 7 guests.

The SC-4 type Service Club provides all the facilities of the SC-3 except on a somewhat smaller scale. This is a one-story structure containing a dance floor approximately 37' x 80', 7,000 square feet of floor space for a library and reading

room in a separate wing, a kitchen, and a cafeteria dining room 37' x 50' and is provided at an estimated cost of \$45,000, an additional \$10,500 is made available for the purpose of equipping this club.

The Modified RB-1 type service club is a one-story structure 37' x 120' contains a small kitchen and dining alcove, a reading and recreation room approximately 37' x 71' and a card room 24' 6" x 15' 6". This building costs an average of \$20,000.00 for construction including utilities. \$5,000.00 is allotted for the purchase of equipment.

Guest Houses, other than the standard type mentioned before, were simple modifications of several types of Officers Quarters and Mess Buildings. The sizes range from a 5-room to a 21-room building with the space set aside in the original plan for kitchen and mess hall converted to use as a living room or lounge.

(*NOTE.—This information only if requested. The permanent quarters provided Hostess and Librarian personnel in these modified Guest Houses are not comparable to those provided in the larger standard type, the space being limited, only a common living room and bath are provided.)

In accordance with the above policies, there have been 120 Service Clubs authorized for construction of which 99 are of the SC-3 type, 12 of the SC-4 type, and 18 of the Modified RB-1 type, while one is a structure modified to meet a local situation at Aberdeen Proving Grounds, Maryland. Of this number 109 are in operation (84 SC-38, 11 SC-48, 13 RB-18, and the Modified Club at Aberdeen). There has also been authorized 104 Guest Houses, 70 of which are of the Standard type, and the remaining 34 of various sizes. Fifty-four of these standard Guest Houses are in operation and 25 of the modified type.

Construction of mess and day rooms for officers was authorized on April 24, 1941. These facilities were allocated substantially as follows, for less than 50 officers, one Day Room; for camps less than 5,000 strength, one Modified RB-1 Building. For camps between 5,000 and 10,000, one Day Room per regiment and one Modified RB-1 Building for the camp; and in camps of over 10,000 strength, one Day Room per regiment and one Modified SC-3 Service Club (designated ORM-2 type) for each division or similar unit but not to exceed two of these larger facilities per camp.

This construction project was contained in supplemental estimates fiscal year 1941 (Project D Item 28 b) providing \$8,389,000 for construction of recreational facilities for officers. (The authorizations as to location and type are indicated in appendix "A" attached.)

Recognizing a need for some facility to permit indoor athletic activities and mass games during the winter season and during periods of severe and inclement weather, a sketch of a proposed athletic Field House was developed in August 1940, by the then Morale Division, AGO, and prepared in the Design Section of the Constructing Quartermaster, Office of the Quartermaster General. This sketch was submitted to The Adjutant General on September 27, 1940, together with an estimate of cost of \$90,100,00. This estimate of cost appeared excessive, and under date of October 4th, 1940, recommendation was made to the G-4 Division of the General Staff to make a further study of these plans with a view of reducing cost of construction and that a program be developed to provide one of these facilities at all posts over 5,000 strength where comparable facilities did not already exist. On December 10, 1940, the Quartermaster General was directed to develop plans for an Athletic Field House suitable for basketball, boxing exhibitions, etc., at a cost not to exceed \$84,000.

Under date of January 22, 1941, a supplementary directive initiated by G-4 was sent to the Quartermaster General placing the limiting cost at \$93,000 and authorizing the development of a program to provide these buildings at posts of over 10,000 strength.

Based on this directive plans were submitted to the Chief of the Morale Branch on May 27, 1941, and construction was recommended on June 4, 1941; construction was authorized on June 11, 1941, for 25 of these structures; construction of six additional Field Houses was authorized on June 30, 1941, and two more on July 30, 1941. Authorization for four additional Field Houses was included in the construction authorization for four of the new Divisional Cantonments, making a total of 37 of these structures now authorized, 33 of which were expected to be completed prior to January 1, 1942. However, difficulty in obtaining delivery of structural materials has delayed completion of many of their buildings.

The Field House is an arch-roof building, generally of wood Lamella construction, but of steel-arch design in several of the northern locations where appreciable snow loads may be expected. It has approximately 33 feet of clear headroom,

an interior free floor space of 100' x 180', provides heating, showers, toilets, and dressing rooms, is provided with portable seating and two portable boxing rings which may be readily used as a temporary stage for theatricals, has a hardwood floor susceptible to use for large dances, roller skating, soft ball, three basketball courts, and all manner of athletic activities.

On April 25, 1941, the Quartermaster General was directed to design a temporary building for use as an all-purpose regimental gymnasium to be provided on the basis of one per regiment or similar unit or stations of 3,000 enlisted men. This structure to be so designed as to accommodate a basketball court, provide seating for approximately 600 spectators during these games, be adaptable to dancing, susceptible to use for boxing, gymnasium or indoor instruction, contain a motion-picture projection booth, dressing rooms, showers, toilets for men and women, and contain a small stage. Plans have been developed and approved for a building at an estimated cost of \$44,000, providing all the foregoing requirements. However, no policy has as yet been developed by the G-4 Division of the General Staff covering their construction.

SECTION 2.—ARMY LIBRARY SERVICE

Upon the entrance of the United States into the World War a War Service Committee was appointed by the president of the American Library Association and The Commission on Training Camp Activities invited the American Library Association to provide library facilities in Army camps. A sum of \$1,700,000 was raised by private subscription, augmented in 1918 by \$3,600,000. In addition, the Carnegie Corporation made a grant of \$320,000 for 32 library buildings 40 x 120 feet in size, with chairs and tables for 200 men.

The Army Library Service began after the close of World War I when the American Library Association turned over to the War Department all books, equipment, and money amounting to about two million dollars remaining from its operation of the War Service Libraries. The Adjutant General assumed responsibility for the administration and supervision of Army Libraries July 1, 1921, upon authority of the General Staff. The 1921 report showed 228 libraries with 163 branches or 391 book centers, 1,068,702 volumes, 42 separate library buildings, and 23 professional librarians employed. Expenditures were \$94,654.70.

During the succeeding years the Army Library Service continued in operation within the scope of Congressional appropriations, with one radical improvement in library technique, which will be touched on later.

At the beginning of the expansion program (July 1940) there were 147 permanent libraries containing 569,648 books and 149 traveling libraries containing 8,046 books. The report for the fiscal year ending June 30, 1941, showed 245 permanent libraries in operation with 886,063 books and 159 traveling libraries with 9,500 books. The total circulation for 1940 was 1,444,155 and for 1941, 2,483,948. It is estimated that there are 1,000,000 books in the Army libraries as of November 1, 1941.

If present plans work out, it is expected that one million gift books obtained from a national book campaign will be added to Army libraries during the current fiscal year.

The types of libraries include post, service club, general and station hospital, Atlantic base, Army Transport and Traveling libraries.

Post libraries are normally thought of as those which were in operation prior to the expansion of the Army. All were operated with enlisted personnel. Fifteen of the larger posts have been recently authorized to employ professional civilian librarians. Their collections vary from a fewer than 100 books to 30,000. With the exception of the addition of 50 to 100 books from the traveling library each year, they have been dependent upon local resources as no appropriated funds have been available to purchase books, magazines, or library supplies since 1933. Their collections are for the most part made up of old, obsolete and unattractive books which should be discarded. New posts having fewer than 5,000 men are not furnished any funds specifically for libraries unless the personnel be colored in which event a library is provided for units having 1,000 or more men.

Service Club libraries are authorized along with the building and are in three sizes: 500 books for colored units 1,000 to 3,000 men, 1,500 books for colored units 3,000 to 5,000 men and in special cases for white troops on the same basis and 5,000 books for troop concentrations of 5,000 men are more in some cases exceeding 30,000 men. For the two larger sizes of these, the SC-4—1,500 volume library and the SC-3—5,000 volume library and a civilian, professional librarian

is authorized. The library facilities in the present service clubs are admittedly inadequate and a study is under way upon which to possibly base recommendations for larger libraries and the separation of library authorizations from the automatic system now in operation of establishing a standard library with each service club regardless of actual needs.

General hospitals maintain library service with professional civilian librarians and the nine new general hospitals will have 5,000 books, magazines, and equipment as soon as Red Cross recreation buildings are completed.

Station Hospital libraries are operated either under the supervision of the post or camp librarian or service is provided as requested from the post or service club library. It is planned to put a small collection of books in each station hospital having more than 100 beds which will have additional books added from the national book campaign to be launched on Thanksgiving Day.

Atlantic bases are all furnished books, magazine and newspaper subscriptions and library equipment when they are established. As the garrisons are expanded, additional reading materials are provided. If funds can be made available, it is planned to equip and furnish a bookmobile for the troops stations in Iceland.

Army Transports were formerly furnished with libraries and a fresh stock of current magazines for each sailing. This magazine service was discontinued in 1933 at which time there were four transports in service. The last purchase of books for the four transports was made in 1936 when each was given 592 books. The number of transports in service has increased to 83 and to date no reading materials have been furnished due to limited funds available.

Traveling libraries have been purchased since 1922 as a means of providing new and popular books to supplement other library facilities at regular intervals. They were instituted to insure maximum usefulness of the limited funds available. They consist of 200 or more titles arranged in four sets, each set consists of 50 or more different titles. The Corps Areas are organized into traveling library districts or circuits, and sets are routed in accordance with schedules prepared by corps area headquarters. Normally a set or traveling library was sent to each post where it was kept three months then it was forwarded to another post and a different set received in its place. At the end of each year the traveling library was added to the permanent collection and new ones purchased.

With the curtailment in funds, magazines for transport sailings were discontinued in 1933 and in 1936 all magazine subscriptions were suspended.

Funds for the purchase of books, magazines, newspapers, library equipment and supplies with the exception of those especially earmarked for such purposes allotted to corps areas for the establishment and furnishing of service clubs are included in the general allotment of funds to corps area commanders who in turn make sub-allotments to posts, camps, and stations in accordance with the number of new men at each station.

No funds were set aside for the purchase of traveling libraries for the fiscal year 1941 but were allotted to corps areas on the same basis as other W. E. M. A. funds. Whether or not reading materials or library supplies are purchased under this plan is dependent entirely upon the discretion of local camp or post commanders.

SECTION 3.—HOSTESSES AND LIBRARIANS

Hostesses and librarians were authorized by the Act of March 2, 1923 (10 U. S. C. 663) to be appointed by the Secretary of War without reference to Civil Service Rules and Regulations.

They are unclassified civil service employees, take no examination, have no civil service "status," although they are amenable to the rules and regulations applicable to civil service employees on the classified list with reference to leave of absence, compensation, disability, and death benefits. They have no retirement nor social security benefits. They are subject to discharge without notice or hearing.

Hostesses and librarians must be of a high type, capable and energetic. They play a large part in maintaining morale. They lend a feminine home touch to the service club wherein is available an up-to-date cafeteria and soda fountain under the skillful management of the cafeteria hostess and also a well chosen library under the charge of a professional woman librarian. Under the supervision of the Morale Officer the hostesses and librarians plan and make available

to the soldiers in the service club a wholesome social and recreational program, including dances, parties, musicals, and dramatics.

They are selected by the corps area or department commander. In their application is contained data on family history, education, experience, salary received, and references, and before an applicant is employed she is personally interviewed.

It is very desirable that hostesses and librarians, whenever practicable, be obtained from local communities. Selection is confirmed by the Secretary of War. All appointments are contingent upon availability of funds and the completion of service clubs and guest houses.

They are paid from funds appropriated for the "Welfare of Enlisted Men, Army." Corps Area Librarians (SP-8) are paid \$2,400; Principal Hostesses and Camp Librarians (SP-7) are paid \$2,120 and are entitled to certain quarters; and Junior Hostesses (SP-5) are paid \$1,620 and are entitled to certain quarters.

The following chart shows the number of hostesses and librarians reported to the Morale Branch to have been on duty or authorized for appointment when construction is completed in the following corps areas and departments on the following dates:

Hostesses and librarians reported to the morale branch to have been on duty or authorized for appointment when construction is completed in the following corps areas or departments on the following dates

	On duty July 1, 1940	On duty Jan. 1, 1941	On duty Nov. 1, 1941	Additional now authorized for service clubs and libraries	Additional now authorized for old service clubs and libraries	Total on duty and author- ized
1st Corps Area:						
Hostesses.....	1	1	9	0	5	14
Librarians.....	0	0	4	0	0	4
2d Corps Area:						
Hostesses.....	1	2	15	13	9	37
Librarians.....	0	0	5	3	1	9
3d Corps Area:						
Hostesses.....	2	2	26	16	7	49
Librarians.....	0	0	9	5	2	16
4th Corps Area:						
Hostesses.....	1	3	79	32	6	117
Librarians.....	0	1	32	5	3	40
5th Corps Area:						
Hostesses.....	1	1	6	5	2	13
Librarians.....	0	0	2	2	2	6
6th Corps Area:						
Hostesses.....	0	0	13	6	3	22
Librarians.....	1	1	5	2	2	9
7th Corps Area:						
Hostesses.....	0	0	24	19	7	50
Librarians.....	0	1	8	7	4	19
8th Corps Area:						
Hostesses.....	2	2	34	13	10	57
Librarians.....	1	1	11	3	3	17
9th Corps Area:						
Hostesses.....	1	1	26	16	12	54
Librarians.....	0	0	10	3	4	17
Hawaiian Department:						
Hostesses.....	1	0	3	0	5	8
Librarians.....	0	0	2	0	2	4
Puerto Rican Department:						
Hostesses.....	0	0	3	19	1	15
Librarians.....	0	0	2	2	0	4
Panama Canal Department:						
Hostesses.....	0	0	0	0	4	4
Librarians.....	0	0	0	0	2	2
Total:						
Hostesses.....	10	12	238	130	171	439
Librarians.....	2	4	90	32	25	147
Grand total.....						586

¹ 1 now reported on duty.

² 3 now reported on duty.

With the exception of the corps area librarians, all hostesses and librarians are on duty at service clubs built from appropriated funds and located on military reservations. Their duties make it desirable that they be in close contact with the service club. They are usually furnished quarters in a guest house near the service club. They work closely with the camp morale officer in planning the programs conducted at the service clubs.

The *corps area librarian* is in charge of and coordinates the activities of the corps area library and the libraries within the corps area, prepares book lists, supervises the classification and cataloging of the books, organizes book collections and coordinates instruction of enlisted personnel in library methods.

The *camp librarian* operates the library of from 1,500 to 5,000 volumes which is housed in the service club, recommends the selection of books, is responsible for the cataloging and classifying of books, instructs such enlisted personnel as is assigned to the library and, when called upon, interprets the library to patrons and assists in the selection of books.

The *principal hostess* supervises the service club, the guest house, and all service club activities, provides and conducts social and recreational games, dances, features, and similar activities in which women participate, supervises the activities of two junior hostesses, develops cordial relations with nearby communities to better use the communities' resources for the benefit of the social club, and makes provision for the care of women and children while visiting the camp.

The *junior hostess (social and recreational)* assists the principal hostess in handling the recreational and social activities of the service club and in managing the guest house.

The *junior hostess (cafeteria)* has immediate supervision and direction of the cafeteria and the buying of supplies, the preparation and serving of foods, the collection of funds from the operation of the cafeteria, and the accounting therefor.

The *corps area librarian* may be a man or woman, must have passed the thirtieth but not passed the fiftieth birthday upon appointment; must be a college graduate and a graduate from an accredited library school and must have had at least five years' experience in library work including one year as an administrator.

The *principal hostess* must be a woman who has passed the thirtieth birthday but has not passed the fiftieth birthday upon appointment, must be a high-school graduate with at least three years' experience as a hostess.

The *junior hostess, social and recreational*, must be a woman who has passed her twenty-fifth but not her forty-fifth birthday upon appointment, must be a high-school graduate with at least one year's experience as a hostess.

The *junior hostess, cafeteria*, must be a woman who has passed her twenty-fifth but not her forty-fifth birthday upon appointment, must be a high-school graduate with one year's experience managing a cafeteria.

The *camp librarian* must be a woman who has passed her twenty-fifth birthday but not her forty-fifth birthday upon appointment, must be a high-school graduate and a graduate from an accredited library school with one year's experience, other than clerical, in library work.

The acceptance for employment of hostesses and librarians is based upon the individual qualifications of each applicant without respect to race, color, or creed except that white hostesses and librarians are employed in service clubs serving white troops and Negro hostesses and librarians are employed in service clubs serving Negro troops.

The following chart shows the number of white and colored hostesses and librarians now on duty:

Hostesses:	
White.....	208
Colored.....	30
Librarians:	
White.....	82
Colored.....	8

Since appointments depend on availability of funds and upon completion of service clubs and guest houses, more hostesses and librarians will be available only when

1. More service clubs and guest houses are authorized, and
2. Congress appropriates funds to pay the new personnel.

SECTION IV—RECREATIONAL CAMPS

During the winter of 1940-41, while training camps were in the process of construction, weather conditions were such as to render it practically impossible to provide satisfactory recreational facilities and programs for soldiers, particularly those of organizations stationed in camps located near small communities.

To provide opportunities for week-end recreation and a change in environment, the Chief of Staff, early in February 1941, directed Brigadier General James A. Ulio to explore the possibilities of establishing recreational camps. General Ulio immediately made a survey of sites for such camps in various cities along the Gulf Coast, filed his report and was directed by the Chief of Staff to start construction of several camps.

By February 25, 1941, five camps were authorized and arrangements made to start construction.

Two additional camps were started early in March.

The first camp to be completed, Pascagoula, Mississippi, having a capacity of 500 men opened on March 21, 1941, followed soon after by the other Gulf Coast Camps.

At the time General Ulio was directed to start construction, no funds of any type were available. It was, therefore, necessary to enlist the aid of other governmental agencies for the actual work of construction.

As War Department representative of the Civilian Conservation Corps, General Ulio made arrangements with the Honorable J. J. McEntee, Director of the Civilian Conservation Corps for the use of enrollees on construction work. The major portion of the construction work on all recreational camps has been performed by the Civilian Conservation Corps enrollees through the continued cooperation of Mr. McEntee. In a few instances, however, due to local conditions and the scarcity of skilled workers, plumbers, electricians, and carpenters in Civilian Conservation Corps companies, it was necessary to employ civilian labor.

Through Mr. Conrad Wirth of the National Park Service, technical service personnel of the National Park Service was made available and superintendents of construction were assigned to build the camps.

The National Youth Administration also rendered valuable assistance, doing considerable shop-work, electric wiring, plumbing, and similar tasks for a number of the camps.

The assistance rendered by these agencies has made possible the construction of recreational camps at an average cost of approximately \$12,000.00 per complete winterized 500-man unit, as against estimates of \$32,500.00 per unit submitted to the Chief of the Morale Branch while the program was under study.

In order to expedite the completion of the recreational camp program the responsibility for the selection of sites for recreational camps was turned over to corps area commanders on June 19, 1941.

Sites are selected after a complete survey is made covering population of the city under consideration, availability of land, location with regard to recreational and entertainment facilities, transportation and troop centers to be served.

Recommendations with construction estimates are forwarded to the office of the Chief of the Morale Branch where they are thoroughly reviewed and changes made where deemed necessary.

When a site is approved authority is granted the corps area commander to construct the camp, funds being allotted him from moneys allocated for this purpose.

Letters allocating funds contain such instructions as may be necessary to insure economical construction of a type suitable for the locality in which the camp is to be placed.

Information obtained from time to time on prices of material, supplies, and equipment are transmitted to corps area commanders as also any new developments in plans and specifications.

Two factors govern the decision as to the capacity of a camp to be authorized—the strength of camps, posts and stations to be served, the size of the community in which the recreational camps is to be established and the recreational and entertainment facilities available therein for both daytime and evening. Camps are constructed with a capacity of 2,000 men, 1,000 men, and

500 men for year 'round use. Certain camps are operated on a seasonal basis, these being located in beach communities in northeastern states and interior nonurban centers where no recreational or entertainment facilities are available during the winter months. There are but four camps of this type.

Certain beach areas, known as Day Use Areas located near training camps have been developed for use during week-end days by troops stationed at such camps. This development consists of permanent type latrine-bath houses, swimming floats, safety lines, and buoys. No living accommodations are provided. There are six such areas included in the program.

Provisions have been made, at such of the camps as are located in centers of population where ample recreational and entertainment facilities are available, to expand them on a temporary basis to accommodate from 500 to 1,000 additional soldiers on furlough after maneuvers or during Christmas or other holidays. Funds indicated as allotted to corps-area commanders for construction include those allotted for temporary-type expansion.

No funds have been provided for the purchase of land. All sites for recreational camps are acquired by lease at a rental of \$1.00 per year.

Recreational camps are of permanent-type tent construction with floors of wood or concrete and framed side walls. Wooden structure for combination latrine-shower buildings are provided, flushing toilets, hot water, and water-borne sewerage-disposal systems being installed. All tents and buildings are winterized and heated.

When the first Gulf Coast camps were authorized, no appropriated funds were available for construction purposes. Shortly thereafter, \$32,100.00 were obtained from the American Red Cross Fund and later appropriated monies were made available for this purpose.

On October 28, 1941, \$206,046.31 were made available from the Chief of Staff's contingent fund to cover operating expenses such as fuel, electricity, water, laundry, gas and oil for camp motor vehicles, telephone and telegraph during the fiscal year 1942.

The status of all funds for recreational camp purposes as of November 1, 1941, is as follows:

(a) Appropriated funds—construction:

Funds made available for construction:

March 1941—Special fund (WEMA)-----	\$40,000.00
May 21, 1941—Borrowed from QM funds-----	17,500.00
May 21, 1941—Borrowed from QM funds-----	200,000.00
July 15, 1941—\$1,030,000.00 appropriated, QM deducted the \$217,500.00 previously borrowed-----	812,500.00
Total available-----	1,070,000.00
Alotted corps areas for permanent camps-----	725,258.95
Alotted corps areas for site expansion-----	146,440.00
Total allotments-----	871,698.95
Reserve retained by QMG-----	16,250.00
Balance on hand-----	182,051.05
	1,070,000.00

(b) Operating funds:

Alotted to the Chief of the Morale Branch October 28, 1941-----	206,046.31
Alotted to corps-area and department commanders for operating expenses first and second quarters, fiscal year 1942-----	64,881.05
Balance on hand-----	141,165.26

(c) WEMA funds allotted for purchase of recreational and athletic equipment, magazines and periodicals, \$26,500.00.

(d) Red Cross funds allocated for the purchase of items not covered by appropriated or WEMA funds and allotted various corps areas, \$32,100.00.

(e) It is anticipated that approximately eight additional camps will be authorized by the end of the fiscal year. Construction funds on hand are considered sufficient to cover anticipated new construction and unforeseen contingencies.

(f) Operating expenses for the second half, fiscal year 1942, will be considerably higher than that for the first half as all camps authorized and now under construction will be completed and in operation.

By November 1, 1941, the status of the recreational camp program was as follows: Approximately 30 of the camps are completed. All listed will be completed by January 1, 1942.

Permanent camp capacity	All-year camps	500-man units	Seasonal camps 5/1 to 10/1	500-man units	Day-use areas, beaches
2,000	2	8	0	0
1,000	9	18	1	2
500	29	29	3	3
Day use areas					6
	40	55	4	5	6

The use of recreational camps is voluntary and they are available to any soldier having a good conduct record.

Soldiers sent to these camps are placed on "detached service without expense to the government" and are released from duty on Fridays at noon.

Transportation is by motor truck convoys, under the command of an officer, convoys leaving home stations in time to reach recreational camps by 7:00 p. m. on Friday. The return trip from the recreational camp starts at such time as will enable the convoy to reach its home station at an hour to permit the men to have suitable rest prior to scheduled training on Monday.

Recreational camps are also available for use by transient soldiers on pass or furlough.

No charge is made for the use of recreational camp facilities except that the soldier is required to pay for his meals which are provided by a concessionaire at a cost of from 20¢ to 35¢ each.

Medical attention is provided at recreational camps. If hospitalization is necessary, nearby military hospitals are used. If none are available, hospitalization is in civilian institutions without cost to the soldier who is on "detached service without expense to the government".

A cadre of officers and enlisted men is placed on duty at each camp to operate and administer it.

In addition to his other duties, the commanding officer is charged specifically with the responsibility of providing diversified entertainment and recreational programs, for each week-end. To accomplish this he works closely with local officials and civic organizations.

In every community in which recreational camps have been established the citizens have been wholehearted in their assistance and cooperation.

The recreational camp program has developed into one of the most important of established morale activities, not only from the standpoint of the soldier using the camps, but also for civilian morale. It has given the citizens of communities in which camps are located an opportunity to take an active part in doing something for the man in uniform.

Letters and post cards from soldiers visiting the camps to friends and relatives throughout the United States carry to them the news of what the Army is doing along these recreational lines.

Recreational areas, Nov. 1, 1941

Corps area	All-year use	Seasonal	Capacity	Day-use areas
I		Portsmouth, New Hampshire.	500	Ponponset Beach, Massachusetts.
II		Island Beach, New Jersey.	500	
III	Anacostia Park, D. C. (colored), Washington, D. C.	Camp Ritchie, Maryland.	500 1,000 2,000	Yorktown Beach, Virginia.
IV	Atlanta, Georgia (colored)		500	
	Carolina Beach, North Carolina		500	
	Charleston, South Carolina		500	
	Chattanooga, Tennessee		500	
	Gulfport, Mississippi		1,000	
	Huntsville, Alabama		500	
	Jacksonville Beach, Florida		500	
	Lake Charles, Louisiana		500	
	Lincoln Beach, Louisiana (colored).		500	
	Manhattan Beach, Florida (colored).		500	
	Mobile, Alabama		1,000	
	Nashville, Tennessee		500	
	Natchez, Mississippi		500	
	New Orleans, Louisiana		2,000	
	Panama City, Florida		500	
	Pascagoula, Mississippi		500	
	Pensacola, Florida		500	
	Raleigh, North Carolina (colored)		500	
	Savannah, Georgia		500	
	St. Augustine, Florida		1,000	
V ¹				
VI	Chicago, Illinois		500	
	Decatur, Illinois		500	
	Detroit, Michigan		500	
VII	Kansas City, Missouri		1,000	
	Kansas City, Missouri (colored)		500	
	Lake of the Ozarks, Missouri		500	
	St. Louis, Missouri		1,000	
	St. Louis, Missouri (colored)		500	
VIII	Fort Worth, Texas		500	
	Houston, Texas		500	
	Lake Brownwood, Texas		1,000	
	Oklahoma City, Oklahoma		500	
IX	McKinley Park, Alaska		500	
	Pismo Beach, California		500	
	Santa Monica, California		1,000	
	Seattle, Washington		1,000	
	Departments Toro Negro, Arecibo, Puerto Rico, Waimanalo, Oahu, Territory of Hawaii.		500 500	Puerto Nuevo, Arecibo, Puerto Rico, San Juan, San Juan, Puerto Rico.

¹ No camps authorized or constructed in this corps area.

Recapitulation

All year recreational areas (40):	
2, 2,000 capacity	4,000
8, 1,000 capacity	8,000
30, 500 capacity	15,000
Seasonal recreational areas (4):	
1, 1,000 capacity	1,000
3, 500 capacity	1,500
Total areas (44)	29,500
Day use recreational areas (6).	

WAR DEPARTMENT,
THE ADJUTANT GENERAL'S OFFICE,
Washington, D. C., June 19, 1941.

MEMORANDUM

Subject: Recreational Areas.

1. *Designation of Recreational Areas.*—Recreational areas will be designated by the name of the city in which they are located.

2. *Boundaries of Recreational Areas.*—The boundaries of each recreational area will include the camp site, the city in which the camp is located, and all beaches, amusement parks, recreational facilities, and places of entertainment within a reasonably close distance to the camp site.

3. *Location of Recreational Areas.*—Experience gained in the operation of recreational areas along the Gulf Coast has shown the desirability of locating camps in or near enough to metropolitan centers to enable the soldiers to take advantage of the entertainment and recreational facilities offered by such centers. As such localities offer both day-time and evening activities, soldiers have the opportunity to enjoy the hospitality and companionship of the civil population.

4. *Civic Cooperation.*—The cooperation of civic officials and organizations will be solicited and close and cordial relations established with them by officers assigned to duty as commanding officers of recreational camps. This cooperation and relationship should insure the provision of ample and varied entertainment and recreational activities for soldiers visiting these areas.

5. *Selection and Approval of Camp Sites.*—Surveys of sites for recreational camps desired will be made under the direction of corps area commanders. On completion of these surveys, report will be submitted to the Morale Branch with recommendations as to capacity of the proposed camps, itemized estimates of construction and operation costs, and statement as to whether proposed camp is to be for seasonal or all-year use. Sites recommended should be of sufficient size to permit of expansion as well as to provide parking space for truck convoys.

On approval by the Morale Branch of any recommended site, War Department funds for construction will be allocated to the corps area commander.

6. *Lease of Camp Sites.*—Arrangements will be made with the proper officials for permission to use the camp site for a period of years, preferably three years. The permit may be in the form of a letter addressed to the War Department or the corps area commander (it should include the legal description of the site) and state that the War Department may occupy it uninterruptedly, but that the War Department may at its option terminate the occupancy at any time without notice.

A formal lease will be prepared at a later date. If rental of the site is in excess of one dollar (\$1.00) per year, approval will be obtained from the War Department before formal negotiations are entered into.

7. *Construction.*—Camps authorized will be constructed initially as temporary type tent camps with wood floors, cold water showers and open pit latrines with box seats. Later, as funds become available, a sufficient amount will be allocated to frame and screen tents and to install a more permanent type of latrine and bath house, hot water facilities and septic tank or other sewerage disposal system where the extra construction is deemed necessary by the War Department.

Construction work on recreational camps will be ordinarily performed by the Civilian Conservation Corps under the supervision of the National Park Service technical personnel. Arrangements will be made by corps area commanders through the corps area National Park Service representative for the designation of Civilian Conservation Corps companies for construction projects.

8. *Officer Personnel.*—Officer personnel for recreational areas will be selected and ordered to duty by corps area commanders and charged to allotments of officers made to them by the War Department for this purpose. This officer personnel will be:

For 1,000-man-capacity camps:

- One lieutenant colonel or major as commanding officer.
- One captain.
- One first lieutenant.

For 500-man-capacity camps:

- One lieutenant colonel or major as commanding officer.
- One captain or first lieutenant.

9. *Enlisted Cadres.*—Enlisted cadres will be detailed as follows, authority being granted to corps area commanders to call on Army commanders within their corps area to furnish the personnel:

For 1,000-man-capacity camps:

- One sergeant to act as first sergeant.
- One sergeant to act as supply sergeant.
- One sergeant for permanent military police detail.
- One corporal for permanent military police detail.
- One corporal to act as company clerk.
- Fourteen privates.

For 500-man capacity camps:

- One sergeant to act as first sergeant.
- One sergeant to act as supply sergeant.
- One sergeant for permanent military police detail.
- One corporal or private first class to act as company clerk.
- Eight privates.

Enlisted men detailed to duty with recreational area cadres will be placed on commutations of rations and quarters. If funds available in corps area are insufficient for this purpose request should be made to War Department for the additional amount necessary.

10. *Medical Attention.*—Corps area commanders will provide necessary medical personnel for troops attending recreational camps for week-end periods only. Arrangements will be made with nearby government hospitals for hospitalization in emergencies. Civilian hospitals may be used for such cases if no government hospitals are available.

11. *Duties of Commanding Officers.*—In addition to his other duties, the commanding officer is charged specifically with the responsibility of providing the entertainment programs for soldiers visiting his recreational area. He will work with local officials and civic organizations to the end that adequate programs are arranged each week. The commanding officer will publish arrangements for entertainment to all soldiers visiting the recreational area. He will make known to the soldier prior to his arrival in the camp the entertainment afforded in his recreational area. Entertainment must be diversified and appealing to the soldier.

The commanding officer will maintain close liaison with morale officers of camps, posts, or stations and tactical organizations using his recreational area.

The commanding officer of a recreational area will be accountable and responsible officer and maintain proper records of all supplies and equipment—except where an officer of the Quartermaster Corps is assigned to the Headquarters of a group of recreational camps within a corps area, in which case this assigned Quartermaster officer will be the accountable officer.

Commanding officers of camps will provide themselves with a copy of Army Regulations pertinent to their command.

12. *Concessionaire.*—The commanding officer will arrange with local officials to have a concessionaire immediately available to serve meals in or adjacent to the camp area. Food and such other articles which may be sold by the concessionaire shall be reasonably priced. The commanding officer shall be responsible for the inspection and sanitary condition of the concessionaire's establishment. The concessionaire shall not be given a contract either orally or in writing for his establishment or its operation, but shall occupy the camp site solely at the discretion of the corps area commander.

A 40' x 80' assembly tent will be erected on the camp site and made available to the concessionaire for a mess hall and exchange, provided the concessionaire cannot erect his own structure. All other messing facilities such as kitchen, dishes, utensils, etc., will be provided by the concessionaire.

13. *Military Police.*—The commanding officer shall be responsible for the maintenance of order in his recreational area. He will coordinate the activities of the military police with the local police officials. During the occupancy of the camp over week-ends two (2) M. P.'s for each 100 enlisted men will accompany the men from their organizational camps or cantonments, and upon arrival in the recreational camp will be given assignments and be under the direction of the permanent M. P. Sergeant. One pyramidal tent in the camp will be set aside as a guard tent.

14. *Purpose and Objective.*—The purpose and principal objective in establishing and maintaining recreational areas is to give soldiers serving in training camps or posts an opportunity to get away from the routine of training for a week-end of complete change and relaxation.

When a recreational camp is ready for occupancy quotas of soldiers, on a voluntary basis, having conduct privileges should be allotted to the camp. For this purpose only enlisted men will be placed on "detached service without expense to the Government" from Friday noon to Sunday evening. This does not preclude, in proper cases, the incurring of expense within the scope of appropriate regulations or the payment of public funds for claims for civilian emergency treatment or hospitalization when government facilities are not available.

It is desired that the enlisted men granted such privilege be returned to their respective organizations in time to permit for suitable rest prior to scheduled training on Monday morning.

15. *Transportation*.—Travel by motor convoys to recreational areas may be authorized by corps area commanders when deemed advisable.

Rail transportation at the rate of one and one-quarter cent (1¼¢) per mile, to be paid by the soldier, has been arranged for by the railroads.

Arrangements for equipment for rail movements to recreational camps will be made by the corps commander with interested rail companies. The policy of sending to any one recreational camp a complete tactical organization is not favored, except organizations may use the facilities of the camp if they establish a separate bivouac or camp adjacent to the recreational camp.

16. *Details Accompanying Groups to Camp*.—For each 100 enlisted men who are to utilize the facilities of the recreational area there shall be detailed to accompany them on active-duty status:

1 officer, 2 enlisted men (for M. P. duty).

1 enlisted man (medical corps).

Necessary truck drivers (if movement is made by motor convoy).

Corps area commanders will authorize travel of accompanying personnel and are authorized to pay in advance to military police, medical personnel, and truck drivers, monetary allowance for rations for period of absence from their station, furnishing The Adjutant General's Office, Attention: Fiscal Section, copies of travel orders with estimated cost noted thereon.

17. *Charge to Soldiers Using Recreational Camp*.—No charge will be made to soldiers for using the facilities provided at a recreational camp, except that soldiers will be required to pay for meals or other purchases made from concessionaire.

18. *Post Exchange*.—The establishment by recreational areas of any post or branch post exchange is prohibited.

19. *Intoxicating Liquors*.—Intoxicating liquors are prohibited in the camp area, except that the concessionaire may be permitted to sell beer not to exceed 3.2 percent alcoholic content to be consumed in the concessionaire's establishment.

20. *Miscellaneous Information*.—Attached hereto as inclosures 1 to 5 are mimeographed lists of equipment, supplies, motor vehicles, stationery, and forms needed in the construction and operation of recreational camps of 500- and 1,000-man capacity. Also attached is mimeographed camp layout. The camp layout is advisory only.

By order of the Secretary of War:

J. A. ULIO,
Brigadier General,
Assistant The Adjutant General.

6 Incls.

LIST OF EQUIPMENT, RECREATIONAL AREA CAMPS

TENT CAMP, 500 MEN CAPACITY

	<i>Each 500- Man Camp</i>
Tents, Pyramidal 11' x 16' x 16' complete (with pins and poles)-----	90
Tents, Hospital ward 11' x 50' x 16' complete (with pins and poles) (For recreation purposes)-----	1
Tents, Wall, Large 11' x 14'3" x 14'6" complete with fly, pins, and poles (For office tent)-----	1
Tents, storage, 13' x 20'5" x 17'10" complete (with fly, pins, and poles) (For storage tent)-----	1
Tent, Assembly (40' x 80')-----	1
Tents, Wall, Small 8'6" x 8'10" complete (with flies, pins, and poles) (For Officers)-----	4
Screens, Latrine, complete (with lines, pins, and poles) (9 screens for latrines, 5 screens for showers)-----	14
Fly, Tent, Wall, Small (For use as awning—on Recreation Tent)-----	2
Flies, Tent, Wall, Large (For use over latrines and showers)-----	10
Chairs, folding, metal-----	50
Flag, storm, 5 x 9.5-----	2

Buckets, G. I. (General purpose, 24-gauge, 14-qt.) (For fire protection).....	100
Cans, corrugated, galvanized, with cover, 32-gal. (For fire protection).....	15
Basins, wash.....	200
Mosquito Bar with Frame.....	500
Cots (Iron).....	550
Pillows.....	550
Pillowcases.....	600
Sheets.....	1, 200
Blankets, wool, OD. 3½ lb., M-1934 or wool, OD. 3 lb. or 4 lb.....	1, 200
Mattresses.....	550
Mattress Covers.....	550
Extinguisher, fire (soda and acid).....	25
Typewriters, nonportable, elite type.....	1
Desk, Field, Large, Regimental (complete).....	1
Mimeograph, Small, Hand operated.....	1
Brassards, M. P.....	12
Station Wagon (or 5-Pass. Vehicle).....	1
½-ton pick-up truck.....	1

EQUIPMENT, TENT CAMP—1,000 MEN CAPACITY

For a Tent Camp with accommodations for 1,000 men, the above list of equipment will be doubled with the exception that—

Only one mimeograph, small, hand operated will be supplied.

Only one desk, field, large, regimental will be supplied.

Only two flags, storm, 5 x 9.5 will be supplied.

LIST OF BLANK FORMS (INITIAL SUPPLY), (500-CAPACITY CAMP)

10. Strength Return.....	(WD-AGO-33)
6. Company Morning Report.....	(WD-AGO-1)
6. Daily Sick Report.....	(WD-AGO-5)
6. Duty Roster.....	(WD-AGO-6)
50. Requisitions (For forms and Pub.).....	(WD-AGO-17)
200. Gov't Telegram Blanks.....	
100. Stat. of Charges.....	(WD-AGO-36)
100. Requisition for Supplies.....	(WD-QMC-400)
200. Stock Record Card with binder for same.....	(WD-QMC-424)
200. Receiving Report.....	(WD-QMC-431)
200. Shipping Ticket.....	(WD-QMC-434)
30. Rept. OS & D.....	(WD-QMC-445)
100. Tally Sheet Inc.....	(WD-QMC-489)
100. Tally Sheet Outg.....	(WD-QMC-490)
20. I & I Report.....	(WD-IGD-1)
50. Mileage Vouchers.....	(Stan Forms 1071)
150. Mileage Vouchers.....	(Stan Forms 1071A)
20. Off. Pay Vouchers.....	(WD Form 336)
60. Off. Pay Vouchers.....	(WD Form 336A)
30. Report of Survey.....	(WD-AGO Form #15)
15. Motor Vehicle Accident Report (Stan. Form #26).....	
15. Motor Vehicle Investigating Officer Report (Stan. Form #27).....	
20. Strength Return.....	(WD-AGO-33)
12. Company Morning Report.....	(WD-AGO-1)
6. Daily Sick Report.....	(WD-AGO-5)
12. Duty Roster.....	(WD-AGO-6)
100. Requisitions (For forms and Pub.).....	(WD-AGO-17)
250. Gov't Telegram Blanks.....	
100. Stat. of Charges.....	(WD-AGO-36)
200. Requisition for Supplies.....	(WD-QMC-400)
400. Stock Record Card with binder for same.....	(WD-QMC-424)
400. Receiving Report.....	(WD-QMC-431)
200. Shipping Ticket.....	(WD-QMC-434)
30. Rept. OS & D.....	(WD-QMC-445)
200. Tally Sheet Inc.....	(WD-QMC-489)
200. Tally Sheet Outg.....	(WD-QMC-490)

25. I & I Report-----	(WD-IGD-1)
100. Mileage Vouchers-----	(Stan. Forms 1071)
250. Mileage Vouchers-----	(Stan. Forms 1071A)
40. Off. Pay Vouchers-----	(WD Form 336)
75. Off. Pay Vouchers-----	(WD Form 336A)
50. Report of Survey-----	(WD-AGO Form #15)
20. Motor Vehicle Accident Report-----	(Stan. Form #26)
20. Motor Vehicle Investigating Officer Report-----	(Stan. Form #27)

LIST OF STATIONERY AND SUPPLIES (INITIAL SUPPLY) (500-MAN CAPACITY)

Articles	Unit	Required	Articles	Unit	Required
CLASS 53			CLASS 53—continued		
Thumb Tacks-----	Box	2	Pads, memo, white, rules, 8 x 10 ¹ / ₂ -----	Each	12
Books, blank, 150 P, 8 ³ / ₄ x 13 ³ / ₄ -----	Each	4	Pads, memo, plain, white, 8 x 10 ¹ / ₂ -----	Each	12
Clips, paper, wire, gem-----	Box	10	Envelopes, official penalty, draft 9 x 12-----	Each	100
Fasteners, paper (Acco #22-2'')-----	Box	2	Envelopes, official penalty, white 4 ¹ / ₂ x 9 ¹ / ₂ -----	Each	1,000
Pens, writing, ball-point-----	Box	1	Paper, bond, white 8 x 10 ¹ / ₂ -----	Ream	6
Penholders-----	Each	10	Paper, manifold, white 8 x 10 ¹ / ₂ -----	Ream	8
Pencils, mechanical, pocket-----	Box	12	Paper, manifold, green 8 x 10 ¹ / ₂ -----	Ream	6
Leads, pencil for above, (black)-----	Box	12	Paper, mimeo 8 x 10 ¹ / ₂ -----	Ream	50
Leads, pencil for above, (red)-----	Box	2	Paper, mimeo 8 x 13-----	Ream	50
Pencils, wood-cased, w/rubber #2-----	Each	48	Paper, carbon, black, T. W. 8 x 10 ¹ / ₂ -----	Box	6
Ink, writing fluid-----	Quart	1	Scotch Tape, large, 3 ³ / ₄ "-----	Roll	4
Ink, dup. machine, mimeo-----	Pound	10	Cabinet, filing, 4 drawer-----	Each	1
Correction fluid, mimeo-----	Bottle	4	Lime, chlorinated-----	Pound	400
Folders, manila 9 ¹ / ₂ x 11 ³ / ₄ -----	Each	50	Oil, crude-----	Gallon	100
Bands, rubber #18-----	Box	20	Paper, toilet-----	Roll	300
Bands, rubber #32-----	Box	12	Brooms, corn-----	Each	25
Bands, rubber #64-----	Box	10	Brooms, rattan, push w/handle-----	Each	12
Tags, shipping, paper, #3, 3 ³ / ₄ x 1 ⁷ / ₈ -----	Each	1,000	Brushes, white wash w/handle-----	Each	4
Tags, shipping, paper, #6, 5 ¹ / ₄ x 2 ⁵ / ₈ -----	Each	1,000			
Stencils, mimeo, 8 ¹ / ₂ x 14 ¹ / ₄ -----	Each	150			

LIST OF STATIONERY AND SUPPLIES (INITIAL SUPPLY) (1,000-MAN CAPACITY)

CLASS 53			CLASS 53—continued		
Thumb Tacks-----	Box	4	Pads, memo, white, ruled, 8 x 10 ¹ / ₂ -----	Each	24
Books, blank, 150 P, 8 ³ / ₄ x 13 ³ / ₄ -----	Each	4	Pads, memo, plain, white, 8 x 10 ¹ / ₂ -----	Each	24
Clips, paper, wire, gem-----	Box	20	Envelopes, official penalty, draft 9 x 12-----	Each	200
Fasteners, paper (Acco #22-2'')-----	Box	2	Envelopes, official penalty, white 4 ¹ / ₂ x 9 ¹ / ₂ -----	Each	1,500
Pens, writing, ball-point-----	Box	2	Paper, bond, white 8 x 10 ¹ / ₂ -----	Ream	12
Penholders-----	Each	20	Paper, manifold, white 8 x 10 ¹ / ₂ -----	Ream	16
Pencils, mechanical, pocket-----	Each	24	Paper, manifold, green 8 x 10 ¹ / ₂ -----	Ream	12
Leads, pencil for above (black)-----	Box	24	Paper, mimeo 8 x 10 ¹ / ₂ -----	Ream	100
Leads, pencil for above (red)-----	Box	2	Paper, mimeo 8 x 13-----	Ream	100
Pencils, wood-cased, w/rubber #2-----	Each	48	Paper, carbon, black, T. W. 8 x 10 ¹ / ₂ -----	Box	12
Ink, writing fluid-----	Quart	2	Scotch Tape, large, 3 ³ / ₄ "-----	Roll	4
Ink, dup. machine, mimeo-----	Pound	20	Cabinet, filing, 4 drawer-----	Each	2
Correction fluid, mimeo-----	Bottle	4	Lime, chlorinated-----	Pound	800
Folders, manila 9 ¹ / ₂ x 11 ³ / ₄ -----	Each	100	Oil, crude-----	Gallon	200
Bands, rubber #18-----	Box	40	Paper, toilet-----	Roll	600
Bands, rubber #32-----	Box	12	Brooms, corn-----	Each	50
Bands, rubber #64-----	Box	10	Brooms, rattan, push w/handle-----	Each	24
Tags, shipping, paper, #3 3 ³ / ₄ x 1 ⁷ / ₈ -----	Each	1,000	Brushes, whitewash w/handle-----	Each	8
Tags, shipping, paper, #6 5 ¹ / ₄ x 2 ⁵ / ₈ -----	Each	1,000			
Stencils, mimeo, 8 ¹ / ₂ x 14 ¹ / ₄ -----	Each	300			

Latrines.—Open pit type, using latrine screens doubled and fly overhead.

Showers.—Cold water only; using single latrine screen for enclosure. Faucets and wash basins outside shower enclosure fly overhead.

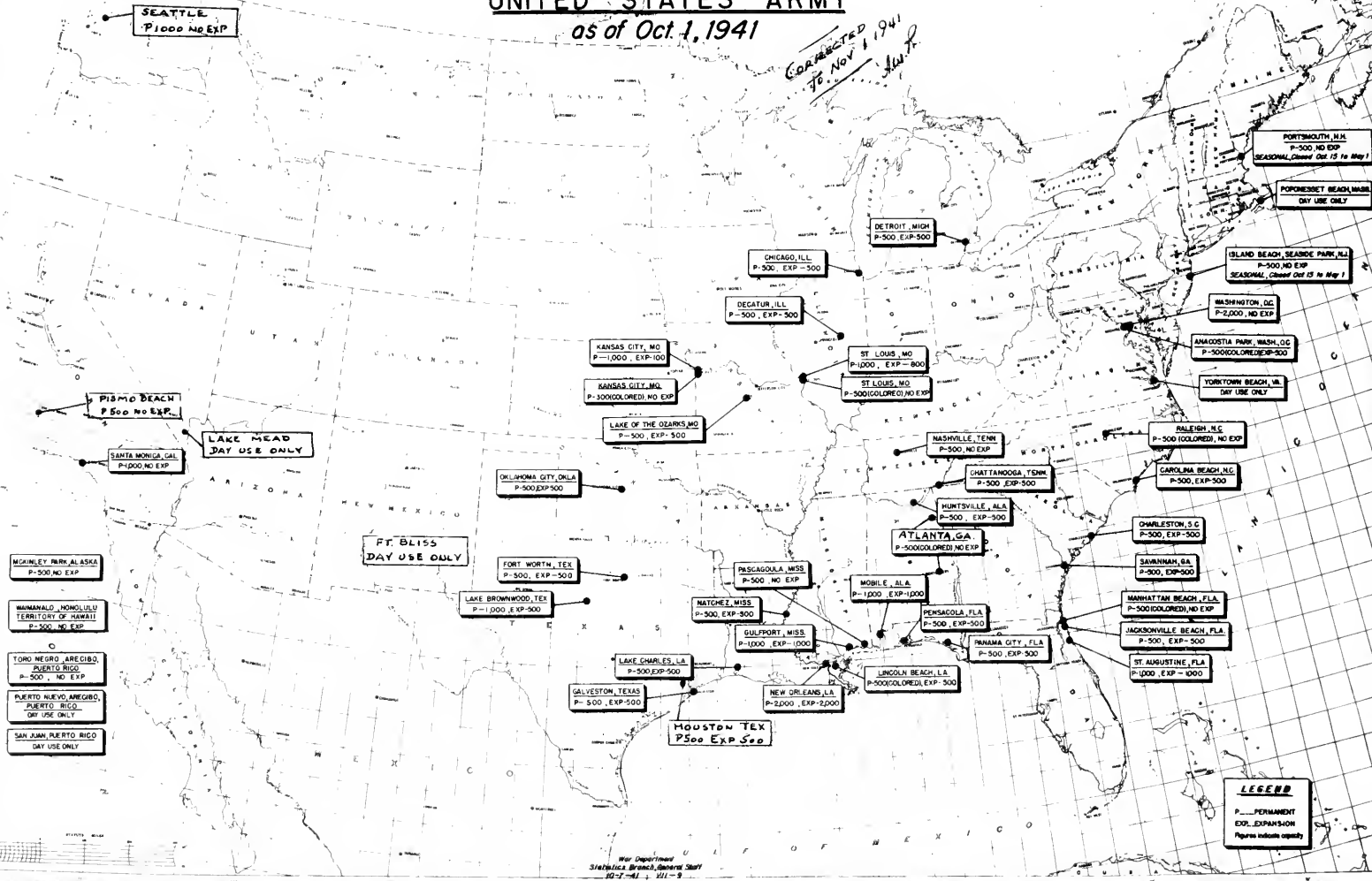
Fire protection.—Fire bucket at each tent. 32 gal. G.I. cans in company streets. Fire extinguishers in company streets at ends and staggered in street so that from any point in camp there is not more than 100 ft. unobstructed distance to an extinguisher. Additional Extinguishers to be placed where necessary.

Assembly tent.—In addition to the above layout one 40' x 80' tent will be erected for the food concessionaire provided he cannot furnish a mess hall.

RECREATIONAL CAMPS UNITED STATES ARMY

as of Oct 1, 1941

CORRECTED
To Nov 1 1941
J.H.P.



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WAR DEPARTMENT

OFFICE OF THE CHIEF OF THE MORALE BRANCH

WASHINGTON

FACTUAL DATA ON ARMY RECREATIONAL AREAS

Designation of recreational areas.—Recreational areas are designated by the name of the city in which they are located.

Boundaries.—The boundaries of each recreational area include the camp site, the city in which the camp is located, and all beaches, amusement parks, recreational facilities, and places of entertainment within a reasonably close distance to the camp site.

Location.—Experience gained in the operation of recreational areas along the Gulf Coast has shown the desirability of locating camps in or near enough to metropolitan centers to enable the soldiers to take advantage of the entertainment and recreational facilities offered by such centers. As such localities offer both day-time and evening activities, soldiers have the opportunity to enjoy the hospitality and companionship of the civil population.

Civic cooperation.—The cooperation of civic officials and organizations is solicited, and close and cordial relations are established with them by officers assigned to duty as commanding officers of recreational camps. This cooperation and relationship insures the provision of ample and varied entertainment and recreational activities for soldiers visiting these areas.

Selection and approval of camp sites.—Surveys of sites for recreational camps desired are made under the direction of corps area commanders. On completion of these surveys, reports are submitted to the Morale Branch with recommendations as to capacity of the proposed camps, itemized estimates of construction and operation costs, and statement as to whether proposed camp is to be for seasonal or all year use.

On approval by the Morale Branch of any recommended site, War Department funds for construction are allocated to the corps area commander.

Construction.—Permanent tent-type construction is used, as a rule, in building the recreational areas. This includes wood on concrete floors, framing and screening of the tents, latrine and bath houses, hot water facilities, and septic tanks or water borne sewerage disposal systems. In cases where it is desired to put the camp in operation as quickly as possible, a temporary type of construction is used, with the improved features being added as funds are available.

Construction work on recreational camps is ordinarily performed by the Civilian Conservation Corps under the supervision of the National Park Service technical personnel. Arrangements are made by corps area commanders through the corps area National Park Service representative for the designation of Civilian Conservation Corps companies for construction projects.

Officer personnel.—Officer personnel for recreational areas are selected and ordered to duty by corps area commanders. This officer personnel:

For 1,000 man capacity camps:

One lieutenant colonel or major as commanding officer.

One captain.

One first lieutenant.

For 500 man capacity camps:

One lieutenant colonel or major as commanding officer.

One captain or first lieutenant.

Enlisted cadres.—Enlisted cadres are detailed as follows:

For 1,000 man capacity camps:

One sergeant to act as first sergeant.

One sergeant to act as supply sergeant.

One sergeant for permanent military police detail.

One corporal for permanent military police detail.

One corporal to act as company clerk.

Fourteen privates.

For 500 man capacity camps:

One sergeant to act as first sergeant.

One sergeant to act as supply sergeant.

One sergeant for permanent military police detail.

One corporal or private first class to act as company clerk.

Eight privates.

Medical Attention.—Corps area commanders provide necessary medical personnel for troops attending recreational camps for week-end periods only. Arrangements are made with nearby government hospitals for hospitalization in emergencies. Civilian hospitals may be used for such cases if no government hospitals are available.

Duties of Commanding Officers.—In addition to his other duties, the commanding officer is charged specifically with the responsibility of providing the entertainment programs for soldiers visiting his recreational area. He works with local officials and civic organizations to the end that adequate programs are arranged each week. The commanding officer publishes arrangements for entertainment to all soldiers visiting the recreational area. He makes known to the soldier prior to his arrival in the camp that entertainment afforded in his recreational area. Entertainment must be diversified and appealing to the soldier.

The commanding officer maintains close liaison with morale officers of camps, posts or stations and tactical organizations, using his recreational area.

Concessionaire.—The commanding officer arranges with local officials to have a concessionaire immediately available to serve meals in or adjacent to the camp area. Food and such other articles which may be sold by the concessionaire shall be reasonably priced.

A 40' by 80' assembly tent is erected on the camp site and made available to the concessionaire for a mess hall and exchange, provided the concessionaire cannot erect his own structure. All other messing facilities such as kitchen, dishes, utensils, etc., are provided by the concessionaire.

Military Police.—The commanding officer is responsible for the maintenance of order in his recreational area. He coordinates the activities of the military police with the local police officials.

Purpose and Objective.—The purpose and principal objective in establishing and maintaining recreational areas is to give soldiers serving in training camps or posts an opportunity to get away from the routine of training for a week-end of complete change and relaxation.

When a recreational camp is ready for occupancy quotas of soldiers, on a voluntary basis, having conduct privileges, are allotted to the camp. For this purpose only, enlisted men are placed on "detached service without expense to the Government" from Friday noon to Sunday evening.

Enlisted men granted such privileges are returned to their respective organizations in time to permit suitable rest prior to scheduled training on Monday morning.

Transportation.—Travel by motor convoys to recreational areas may be authorized by corps area commanders when deemed advisable.

Rail transportation at the rate of one and one quarter cent ($1\frac{1}{4}$) per mile, to be paid by the soldier, has been arranged for by the railroads.

Tactical organizations may use the facilities of the camp and take advantage of the entertainment and other features, if they establish a separate bivouac or camp adjacent to the recreational area.

Charge to Soldiers Using Recreational Camp.—No charge is made to soldiers for using the facilities provided at a recreational camp, except that soldiers are required to pay for meals or other purchases made from concessionaire.

DESCRIPTIVE AND BACKGROUND MATERIAL IN ARMY RECREATIONAL AREAS

The Army has built the recreation camps on sites accessible to the downtown areas and the particular amusement facilities offered at each location. In each camp, the soldier on week-end leave can select from an entertainment program which is as ample as any tourist can find.

The soldier writes his own ticket of fun when he goes to a leave area. As one of a group on leave he travels by rail or motor convoy in charge of an officer, but once he reaches camp he's his own boss. No formations, no roll calls, no reveille, no sergeants to hustle him along to the field. He goes to bed when he chooses, and he gets up when he's ready.

The expenses at these camps are small. Food is obtainable from a concessionaire on the camp grounds at low cost, and more than a dozen different kinds of recreation are open to him at a price far smaller than his civilian friend must pay.

The plan of providing centers where soldiers might break away from the routine of training was conceived by General George C. Marshall, Chief of Staff. He outlined early this year (1911) to Brigadier General James A. Ulio, Chief

of the Morale Branch, his idea of organizing leave areas similar to those provided for the American Expeditionary Force in France, but wider in their scope. General Marshall wanted to build first an experimental type of camp on the Gulf of Mexico between Tallahassee, Florida, and New Orleans to serve the large number of troops in training north of that region. The object, he emphasized, was to make it possible for a soldier to go on leave from Friday noon to Sunday evening and have a variety of entertainment from which to select his own.

General Ulio surveyed the coastal region, and on his return recommended the seven sites. These were approved by General Marshall. General Ulio then received permission to use C. C. C. companies to erect the necessary buildings. Less than two months later the first two of the seven were opened, and the others followed quickly. The Recreational Area program is being expanded rapidly and plans call for establishment of camps in all corps areas.

The present-day leave camp is far different from that of World War Days. In France hotels alone were provided in a designated town where a soldier might find a relief from front line duty. No recreation facilities were provided and any entertainment he found in addition to what the Salvation Army, and a few similar organizations furnished, he was forced to find for himself.

The purpose of today's recreational areas is not merely to give the soldier a good time. It has a definite morale building objective. Officers who have been placed in charge of these camps under General Ulio are aware fully of the part they are playing in the building of the new Army and are tackling the problems which arise with enthusiasm.

"These boys in camps are going through a hard training schedule," one of them explained. "Under the pressure they are liable to go stale just like a football team from overtraining. The establishment of these recreational areas makes it possible for them to break away from their everyday surroundings, visit new places, make new acquaintances, and mingle with the civilian population. Here the soldier has an opportunity to experience the friendliness and hospitality of citizens in nearby towns. He finds out his efforts are appreciated. He discovers that the people are aware that he's making a real sacrifice and are anxious to show him that they appreciate what he is doing for his country.

"If the soldier's energies are directed in the proper channels, while he is in these weekend camps, he will return to his post with more enthusiasm for his tasks, new zest for his military duties, and renewed faith in his country. He takes a new slant on his place in the national defense program and his belief in the American way of life is strengthened."

This matter of letting the soldier know that his efforts have the backing of the civilian population is an important morale factor. To be a good soldier, the citizen in uniform must feel that he has the friendship not only of his fellow citizens in uniform and the people back home, but also the goodwill of the civilians in the area where he is quartered.

If the service man doesn't feel at home after a visit to one of these recreational areas, it isn't the fault of civic organizations, city officials, and residents in the towns where they are located. The civilian populations are extending full hospitality. Only in the case of a breach of discipline or where it is necessary in the interest of a community are the movements of an individual soldier restricted. Reported one camp commander on a recent weekend: "The cooperation of all concerned was splendid. City officials and citizens all combined to do more than their share. The men were enthusiastic."

How do the men behave while on these weekend leaves? Much better than any other cross section of American life, officers report. The Army knows that in any group there will be some persons who step over the line of good conduct and these cases must be looked after. That's one of the reasons why a small detachment of two military police are sent along with 100 men. On entering a leave area, the weekend visitors are placed on their honor to act as gentlemen and most of them demonstrate they are.

Officers in the leave areas put the question of conduct up to the men this way: "The people have been most cooperative in the building of this camp and are doing everything in their power to make this city a popular place for soldiers to spend their weekends. Therefore, in appreciation of their efforts it is requested that you conduct yourself in a manner that will bring credit to you and the U. S. Army and make the citizens feel that their efforts have not been in vain."

This excerpt from one of the camp information bulletins given to the soldier when he arrives is typical of the way the matter is presented. It works.

Another example of this might be cited:

"The city has been gracious enough and thinks enough of you men serving our country to give this beautiful camp site in the finest residential section of their

city to make your vacation pleasant and enjoyable. The public respects and admires the uniform you wear. An indiscreet action by one individual can cause the public to lose this respect and admiration. It is believed that the conduct of each and every one of you while guests at this camp will be such that the city will be proud to have had you and that the commanding officer of this post can point with pride to the fact that your behavior was so excellent.

"We want you to have the best time possible. Be guided by common sense and make it clean fun."

All the information a soldier needs to plan his week-end program can be found at the headquarters and information tents as soon as he arrives. For the newcomer there are city maps and guides; for all there are lists of interesting places to go and see, things to do. Any questions a man has are answered cheerfully by representatives of community service committees. He'll find here or on the camp bulletin board a list of special events for the current week as well as the features and attractions available every week end.

Nearby is a recreation tent with magazines and newspapers if he cares to read, games if he wishes to play them. Funds for athletic equipment for use at each recreational camp have been allotted.

Meals in the camp areas average from 15 to 30 cents, depending upon whether it's breakfast or dinner. Food for a man from the time he arrives Friday afternoon until he leaves on Sunday can be had for approximately \$2.

Lists of churches, their location and hours of services are placed on camp bulletin boards so the soldiers may attend services of their faith on the Sundays when they are in the recreational areas. Motion-picture theaters also are listed. Intoxicating liquors and gambling in any form are prohibited in the camp areas.

Although the men are free agents while staying in the recreational areas, organized entertainment is planned for them if they wish to join. The features are varied.

While the trip from their training camps to the recreational areas may be just a ride for the enlisted men, they offer an opportunity for training staff officers in the movement of troops by motor convoy, bus, or rail. Given the number of men to be moved and the destination, the type of transportation available, the rest of the details can be left up to the staff officers to work out. The commanding officers of the respective areas must be notified of the number of men in a convoy or party prior to their arrival, the method of travel, the route, and hour of arrival so that they may be met and guided to the camp site.

With each passing week, the Recreational Area program is gaining in popularity among the enlisted men because the camps give them an opportunity to break away completely from accustomed surroundings and find clean, wholesome enjoyment at a price the soldier can pay.

* * *

(The following is an explanation of the Army's Recreational Area program by Brigadier General James A. Ulio, Chief of the Morale Branch, as made at the Mississippi Valley meeting of the National Conference on State Parks at Pere Marquette State Park, Ill.)

These (Recreational Areas) are camps for week-end vacation periods for soldier groups in rotation, where, under minimum supervision, the men can enjoy sports and diversions in locations selected because they combine the attractions of beach resorts with those of city entertainments.

I want to take occasion at this moment to express the Army's appreciation of the very helpful attitude of all of you people who are experts in the building and operation of state and other parks. We need your help and we feel that we have it. The National Park Service not only made its experience available, as did the Civilian Conservation Corps, but the actual work done by them under the personal direction of Mr. Conrad L. Wirth and of Mr. James J. McEntee, respectively, gave speed and technical correctness to the plan, and they have the thanks of all concerned.

The relaxation from pressure, the change from routine, is not provided for the softening of these men, but precisely for the opposite purpose, and is done for exactly the same reason that causes an athletic coach to take care that his star athletes do not go stale. These young men are your young men. Perhaps you have been thinking of them as your boys, but they are rapidly becoming the strong men of this nation, and on their condition rests the hope of this nation for its security. We believe, in fact we know, that the week-end camps I have outlined to you have the same beneficial effect on them that their civilian relatives and friends find in their holiday travels at the parks and resort areas which your planning and your administration have made available to citizens.

The only differences are those of location and degree of immediate need. Your civilian has his daily habit of work, and the typical family has its dinner hour, its evening of bridge, its movie party, and once in a while a longer bit of play or travel. There is the change of scene, the vacation, the use of park areas. Your soldier has his vigorous training program of drill and gunnery, marching, night maneuvering, study. At the end of duty hours he has his company day-room which corresponds to the living room and the party room at home. He has his baseball diamond and horseshoe court, his camp motion-picture theater, his regimental recreation building, his chapel, his post service club for dances and social assemblies, his library, his guest house for visitors, his post exchange. And in the recreational areas now in use and increasing, he has the occasional longer respite, strictly on his own, with no duty calls whatsoever.

RECREATIONAL AREAS AS OF JULY 19, 1941

In operation: Location:

Capacity

New Orleans, La. (increase to 2,000 authorized)-----	1,000
Gulfport, Miss-----	500
Biloxi, Miss-----	500
Pascagoula, Miss-----	500
Mobile, Ala. (increase to 1,000 authorized)-----	500
Pensacola, Fla-----	500
Panama City, Fla-----	500

Under construction:

Charleston, S. C-----	500
Savannah, Ga-----	500
Jacksonville Beach, Fla-----	500
St. Augustine, Fla-----	1,000
Galveston, Texas-----	1,000
Washington, D. C. (Arlington, Va.)-----	1,000
Portsmouth, N. H-----	500
Camp Ritchie, Md-----	500-1,000
Chicago, Ill-----	500
Havana, Ill-----	500
Detroit, Mich-----	500
St. Louis, Mo-----	1,000
Wilmington, N. C-----	500
Lake of the Ozarks, Mo-----	500
Washington, D. C. (Anacostia Park)-----	500

Authorized:

Chattanooga, Tenn-----	500
Huntsville, Ala-----	500
Island Beach, Seaside Park, N. J-----	500
Kansas City, Mo-----	1,000
Oklahoma City, Okla-----	500
Lake Brownwood, Tex-----	1,000
Fort Worth, Tex-----	500
Los Angeles, Calif-----	1,000

Recreational areas, day use only: Popponesset Beach, Mass.; Yorktown Beach, Va.

SECTION 5.—U. S. ARMY MOTION PICTURE SERVICE

It may properly be said that the idea of providing motion picture entertainment for soldiers had its inception in a statement attributed to General Pershing during World War I: "Give me a thousand soldiers occasionally entertained to ten thousand soldiers without entertainment."

The Army's sense of guardianship, especially over the young recruit or selectee away from home for perhaps the first time, is such that much consideration is given to the way in which he spends his idle hours. As a part of the effort made to direct the employment of these hours in a manner beneficial to the moral and physical health of the men, their attendance at motion picture shows is encouraged. Coming in the evening when the men are restless, this type of entertainment is particularly valuable, as it affords a harmless emotional outlet otherwise difficult to find. As a general rule, the average soldier's life is lived apart from the intimate relations of the young people of the neighboring community and the absence of wholesome amusement within the post produces a tendency to seek less wholesome amusement elsewhere.

There is also a very practical reason for the operation of a theater on an Army post. The bulk of the Army is composed of enlisted men of the 7th grade who are paid \$21 or \$30 a month. With this amount they must purchase many of the necessities of life which are not provided by the Government, and there is consequently but a very small amount remaining for expenditure on recreation. They are therefore financially unable to patronize civilian motion picture theaters to the extent required to meet the situation.

In the study which led to the inauguration of the U. S. Army Motion Picture Service in July of 1920, it was decided to operate on a self-sustaining basis thru the receipts derived from the attendance of military personnel on a paid-admission basis. This course was pursued in the belief that more efficient service could thus be provided and a closer approach to a maximum response thereto secured than would be true in the case of a free service financed from appropriated funds. The necessity for the avoidance of an operational loss provides the incentive for efficiency in the management of the enterprise which insures the successful accomplishment of its mission.

The cash admission charge is 20 cents for adults and 10 cents for children. However, theater coupon books containing ten and fifteen admissions may be purchased by the men, on credit if desired, at prices which result in an effective admission rate of 14 cents for adults and 7 cents for children.

STATISTICS

Yearly attendance for preemergency Army-----	11,682,234
Yearly attendance for current size Army-----	44,823,130
Eventual expected yearly attendance when all planned theaters are in operation-----	65,668,500

Prior to the present emergency, motion picture performances were held in available buildings which were suitable for the purpose or, where none such were present, in buildings constructed from funds of the U. S. Army Motion Picture Service. For the present Army these buildings are being provided as a part of the general construction plan, and, in addition to providing an auditorium for the showing of motion pictures, they are used for all general gatherings for military purposes such as lectures, critiques, viewing of training films, amateur and professional live entertainment, etc.

STATISTICS

	Prior to Sept. 1, 1940	As of Nov. 1, 1941	Planned Eventually
Posts served-----	87	213	274
Theaters operated-----	92	347	559
Seats available-----	60,000	265,013	427,076

Theaters are provided on a basis of a ratio of 1 seat for every 6 to 8 men.

The theaters are managed by a commissioned officer detailed for this duty by the post commander. The duties of projectionist, cashier, ticket taker, usher, etc., are performed by enlisted men. Since they discharge these duties during what would otherwise be free time, they are compensated therefor from theater receipts at rates ranging from 50 cents to \$2 per night.

Typical enlisted theater personnel set-up for a theater¹

Position	First performance	Second performance	Total
Assistant Manager-----	\$1.25	\$0.75	\$2.00
Chief Projectionist-----	1.25	.75	2.00
Asst. Projectionist-----	.75	.25	1.00
Ticket Cashier-----	.75	.25	1.00
Coupon Book Cashier-----	.75	.25	1.00
Ticket Taker-----	.50	.25	.75
Usher-----	.25	.25	.50
Janitor (per day)-----			.50

¹ Number of positions varies in relation to size of theater.

Approximate number of enlisted men now so employed-----	3,800
Approximate yearly expenditure for wages of enlisted theater personnel-----	\$1,250,000

The administration of the Service is conducted by civilian personnel who likewise are paid from the receipts of the enterprise. The Home Office, District Offices and Shop are housed in rented quarters. The administration of the Service consists of the booking of film, the installation, servicing and repair of equipment, the procurement and distribution of equipment and supplies, and the management of the fiscal affairs of the enterprise.

STATISTICS

Office	Location	No. of employees
Home.....	Washington, D. C.....	73
Eastern District.....	New York City.....	14
Southern District.....	Washington, D. C.....	13
Southeastern District.....	Atlanta, Ga.....	12
Central District.....	St. Louis, Mo.....	13
Southwestern District.....	Dallas, Texas.....	11
Western District.....	Seattle, Wash.....	12
Repair Shop.....	St. Louis, Mo.....	52
		200

In the operation of the U. S. Army Motion Picture Service, it is not the policy to accumulate a surplus of funds above those essential to safety and continuity of operation. Any profits realized are used to maintain the service at posts where losses are encountered by reason of small populations, for distribution to profitable theaters to encourage local efficiency of operation, for the purchase of new equipment, and for the general improvement of the Service.

STATISTICS

Original financing consisted of an allotment of \$260,000 from nonappropriated funds consisting of a portion of funds donated to the War Department by the welfare agencies when they ceased their activities in the Army after the armistice.

Recap. July 1, 1922, to June 27, 1941

Gross Profit.....	\$6,410,134.57
<i>Expenditures:</i>	
Theater Dividends.....	\$2,171,702.18
Theater Construction.....	1,036,795.08
Projection Equipment.....	923,448.91
Theater Equipment.....	904,681.20
Theater Improvements.....	251,689.47
Miscellaneous.....	142,920.85
	5,431,237.69
	978,896.88
Cash Balance, Oct. 30, 1941.....	55,817.47
U. S. Treasury Bonds.....	550,000.00
	605,817.47
Purchase Order Commitments for Projection & Theater Equipment.....	542,591.38
	63,226.09
Unobligated Funds.....	609,675.56
Known Future Equipment Requirements.....	

The profits distributed to posts with profitable theaters are utilized by the post commanders for the general welfare of the garrison on projects or for purposes of a nature which while considered either necessary or desirable are generally of a character for which it is not considered proper to seek funds from the Congress.

STATISTICS

All posts with theaters that clear expenses are given a 40% share of the profits realized. Currently these dividends amount to approximately \$91,000 per month.

The product of all film producers is available to the U. S. Army Motion Picture Service. Price negotiations are conducted on the same basis followed by a commercial chain, special consideration on the grounds of its Governmental aspect being neither sought nor desired. During normal times the Service operated as what may be termed a "subsequent run" theater circuit, in that it exhibited pictures only after they had had a prior run in the theaters in the neighborhood of the post. At that time nonresidents were permitted to attend, but their patronage was neither solicited nor encouraged. In addition they were required to pay the admission rate in effect at the neighboring civilian theater. Coincident with the recent increase in the size of the Army, demands arose both from within and outside the Army for an arrangement whereby first-run pictures would be made available for our citizen Army. An agreement was therefore negotiated with the film distributors in September of this year whereby pictures are made available to the U. S. Army Motion Picture Service upon release. It was necessary in return for this concession for the War Department to agree to protect the interests of civilian exhibitors by restricting the attendance at Army theaters to military personnel, the members of their households, and civilians residing within the limits of the post.

STATISTICS

*Number of programs
shown per year*

Preemergency Army-----	25, 418
Presently-----	93, 808
Planned eventually-----	114, 192

Programs consist of feature, comedy, musical, novelty and semi-educational shorts, March of Time and newsreels, for a minimum running time of 1 hour and 40 minutes.

Film rental is paid on a basis of a percentage of the gross receipts developed by the showing of a given program. The percentage is based on the quality of the pictures and ranges from 15 to 40%.

Product used is confined to that of the ten reputable national distributors. No censorship is attempted other than over those pictures which portray U. S. Army life and activities. However, on the basis of reviews by disinterested agencies the "mature" or "family audience" designation for each scheduled feature is published for the information of all prospective patrons.

The U. S. Army Motion Picture Service operates theaters on Army posts in the United States, Alaska, Newfoundland, Bermuda, St. Lucia, Trinidad, and British Guiana. Service for posts in Puerto Rico, Panama, Hawaii, and the Philippines is provided by similar organizations under the direction and control of the Department Commanders.

EXHIBIT No. 328

TESTIMONY SUGGESTED FOR PRESENTATION BY BRIGADIER GENERAL OSBORN TO THE
SENATE COMMITTEE INVESTIGATING THE NATIONAL-DEFENSE PROGRAM

THE ARMY EXCHANGE SERVICE

Many small items of personal use are not furnished the soldier in his regulation issue. He has to buy them. Toothbrushes, soap, stamps, letter paper, cleaning materials and other things are regarded by the soldier as essentials.

In the training camps of 1917-1918, and in France, these things were made available to the men through canteens operated in many cases by volunteer agencies. These agencies lacked a singleness of purpose. Their efforts were not coordinated. For these and other reasons, canteens were not completely effective. Oftentimes, a weary soldier had to hike miles behind the lines to buy a pack of cigarettes or a bar of soap. It was learned in the last war that this method of making available these small, essential, personal items would not do the job in the next emergency.

For a good many peacetime years there has been operated by the various regiments and units at each Army station, a Post Exchange to bring to the soldiers and to officers and their families merchandise they need. Launched on a cooperative basis, without capital, employing civilian labor, and operated under the direction of the Post Commander, such stores have been, and today are, a monopoly in a position to make a great deal of profit. The profits are used to provide the soldiers with magazines; athletic equipment; furnishings for day rooms, and other types of recreational and amusement facilities.

The activities of Post Exchanges included barber shops, grocery stores, meat markets, gas stations, newsstands, and many other kinds of stores where needed. Under the present Army expansion program, it is conservatively estimated that Exchanges will sell \$250,000,000 worth of goods to military personnel in 1941.

The rapid expansion of the Army has given rise to a good many problems involving this instrumentality by which the small articles of personal use are made available to the soldiers in training camps and elsewhere on duty throughout the Army.

At the instance of the Chief of Staff, Mr. Donald Nelson of O. P. M., early in 1941 established a Post Exchange Advisory Committee of businessmen to study the matter and to report a suitable plan for the conduct of this tremendous retail business. With the assistance of Army officers, the Committee explored the operation of Exchanges, and reported to General Marshall its findings, together with a recommended plan of action.

The Civilian Advisory Committee found:

"That there is general agreement among officers of the Army, with which the Committee concurs, that Exchanges are second only to the soldier's mess as a factor in building his morale.

"That there is greater efficiency * * * where there is a central * * * Exchange with branches rather than individual Exchanges operated by each division * * *

"That a wide variation exists in Exchange operations, personnel policies, purchasing, accounting, fixtures, store layouts, varieties of merchandise, prices on essentials, mark-ups, attractiveness and cleanliness.

"That the principal cause of the defects in the present Exchange system is the lack of centralized control.

The Committee specifically recommended:

"That the management of all Army Exchanges be centralized in a separate office of the War Department.

"That a civilian operating personnel be developed to conduct the affairs of the Exchange organization with the executive direction performed by officers of the Army; that this type of organization be established for central, regional, and local operation.

"That personnel policies be adopted leading to standardization of wages, hours, conditions of work, and that benefits for Exchange employees be at least equal to those now used by similar civilian organizations." (The Committee recognized that personnel is the biggest single problem of Exchanges and made special provision to answer this problem in a comprehensive personnel program which detailed the ways and means by which the personnel situation could be improved.)

"That to meet the emergency situation, present Exchange officers in large Posts and Camps who are not suited to this duty be replaced immediately by officers experienced in Exchange operation.

"That the aids normally furnished civilian executives in similar type of business be furnished Exchange officers. Such aids to include capital-investment ratios, quality and types of merchandise, prices, personnel standards and policies, equipment and layout plans, bookkeeping and stockkeeping methods, gross profit operating expense and net-profit percentages. These should be standardized and reasonably uniform in all Exchanges.

"That the minimum and maximum range of gross profit, operating expense and net profit percentages be controlled by the Director of Army Exchanges.

"That essentials such as cigarettes, chewing gum, candy bars, cleaning materials and certain toilet articles be sold at the lowest possible prices and at the same price in all Posts and Camps, because the soldier receives the same monthly pay in whichever Post or Camp he may be stationed.

"That the Director of Army Exchanges secure a loan from the Reconstruction Finance Corporation, or some other leading agency, for the purpose of financing the establishment of new Exchanges, the expansion of the old ones and to furnish working capital where needed.

"That each Camp, Post, or Station have one Exchange with a sufficient number of branches conveniently located to accommodate the military personnel.

"That concessions be confined to the sale of specialized services where labor is the principal item—such as barber shop, tailor shop, automobile repair shop, and shoe repair shop.

"That the articles of merchandise carried in Exchanges be limited to the general needs of the military personnel.

"That a study be made to determine whether the sales Commissary is a duplicate of the Exchange Service and the possibility for consolidation of these two operations."

Effective June 6, 1941, there was established in the Morale Branch of the War Department the Army Exchange Service for the purpose of developing, administering, and supervising a system of uniform and coordinated operations for Army Exchanges in accordance with sound business principles, to be coordinated, from a purely business viewpoint, with Corps Area and local commanders. In addition, the Army Exchange Service will provide business aids which will include—

- (a) Free auditing service.
- (b) Purchase schedules for procurement of fixtures, supplies, and merchandise at the lowest possible cost prices.
- (c) Manuals of operating and accounting.
- (d) Programs of training for Exchange personnel.
- (e) Plans for suitable social benefits for civilian employees.
- (f) Purchasing service, when requested, for exchanges outside of continental United States.
- (g) Sending of funds, as soon as feasible, for expanding present exchanges and financing new exchanges.

This circular provided that "* * * Corps Area and Department Commanders will appoint Exchange officers and necessary assistants on their staff * * *."

On July 1, 1941, the War Department released AR 210-65 (tentative) further detailing the basis upon which Exchanges were to be operated.

On July 17, 1941, the Officer in Charge of Army Exchange Service petitioned for, and later received, authority providing for an allotment totaling 38 officers to staff the central organization of the Army Exchange Service. In addition, the War Department granted an overstrength of 20 officers to carry out the training plan, which has been prepared for this purpose, to provide skilled and qualified Exchange officers for local operations.

About a month later Brigadier General Brice F. Disque was detailed as the Officer in Charge of Army Exchange Service.

Since the establishment of the Army Exchange Service on June 6, 1941, the following activities are reported:

- a. As of the close of business October 31, 1941, approximately 341 Exchanges were in operation. Approximately 275 were in operation prior to June 6, 1941.
- b. The amount actually received by the Army Exchange Service from Exchanges (on the basis of $\frac{1}{2}$ of 1% of gross sales) as of October 31, 1941, is \$191,098.02.
- c. On August 15, 1941, Exchanges were asked to submit to the Army Exchange Service census data on officer and civilian executive personnel. As of October 31, 1941, approximately 70 percent of the Exchanges have reported this data.
- d. Loans to Exchanges at the close of business October 31, 1941, totaled \$163,606.38.
- e. The Army Exchange Service has paid a total of \$3,215.08 in pay-roll costs for civilian clerical and administrative personnel since its inception.*
- f. The Purchasing Section of the Army Exchange Service has negotiated 179 purchasing agreements with manufacturers and suppliers and these price agreements have been furnished to all Exchanges.
- g. The former system of stock ownership of Exchanges is being liquidated according to information available to the Army Exchange Service.

*As of October 31, 1941.

EXHIBIT No. 329

W. AND R. DIVISION

Section 1. Athletics.
 Section 2. Education.
 Section 3. Entertainment.
 Section 4. Music.

SECTION 1. ATHLETICS

GENERAL

During the last war, the athletic program was developed under the supervision of the Commission on Training Camp Activities under the chairmanship of Mr. Raymond Fosdick, who in his final report, made the recommendation in which Secretary of War Baker concurred, that in any future emergency the Army itself should accept the responsibility and supervision of the activities carried on by the Commission. Mobilization plans were prepared during the intervening years based on this recommendation. When the separate Morale Branch was established, athletics was included as part of the Welfare and Recreation Division.

As recreation, Army sports or athletics are a part of the leisure-time program and should be clearly differentiated from the Army physical education program. Physical conditioning is a component of every military training program under the direction of General Headquarters.

Leisure-time activities, including athletics, are the direct responsibility of commanding officers of all echelons. Unit commanders designate qualified officers as unit athletic officers to assist them in this activity which is not a part of the military training program.

The Morale Branch is charged with the planning, development and stimulation of athletic programs and to act as consultants and advisors in this field for unit commanders. The Morale Branch contains a specific section devoted to athletic activities.

AVAILABLE FUNDS

Of appropriated WEEMA funds, none were earmarked specifically for athletic equipment, the purchase of which was left to the discretion of local commanders in the proportion desired.

Athletic equipment is also purchased from funds derived from profits of post exchanges and other local recreational funds. The majority of the post exchanges are just now reaching the point of solvency which permits declaring and distributing dividends.

FACILITIES

The rapid expansion of the Army in the past year has required both tremendous additions to existing posts and the construction of many entirely new cantonments.

First priority obviously had to be given to the construction of barracks, mess-halls, and other essential buildings. These priority considerations stowed up the construction of athletic fields, baseball diamonds, outdoor basketball courts, etc.

During recent months, outdoor athletic fields have been graded and placed in playing condition by the use of funds and labor normally available to post commanders.

Reports which would necessarily add to the heavy burden of paper work of commanders have not been required on athletic facilities. Telegraphic reports from twelve camps, posts, or stations selected at random reveal the following averages per camp:

Average strength.....	27,500
Swimming Pools.....	.59
Football fields.....	2.83
Baseball diamonds.....	7.42
Tennis Courts.....	5.42
Volleyball courts.....	52.42
Bowling Alleys.....	.83
Boxing Arenas.....	7.25
Softball Fields.....	16.75
Basketball Cts.....	7.66

Golf Courses-----	33
Handball Cts-----	17
Track Fields-----	17
*Sports Arenas-----	1.00

*See Capt. Newman's Section.

Many communities near Army camps have made available school gymnasiums, swimming pools, football fields, baseball diamonds, and similar facilities.

EXISTING PROGRAMS

Each unit commander is responsible for the development of an athletic or sports program in his unit.

To insure a better coordinated recreation and athletic program, a full-time recreation officer is authorized for each regiment, separate battalion, or similar unit.

Battalion and company officers have been authorized to detail officers to supervise athletics in the unit in addition to their other duties.

The responsibility of the Morale Branch to coordinate, stimulate, and develop athletic activities is carried out through the Athletic Section of its Welfare and Recreation Division.

The recent expansion of the Army with its many problems of organization, personnel, and equipment made a rapid expansion of athletic activities very difficult. The stress and emphasis necessarily placed on military training exercises and the extensive maneuver periods also interrupted much of the organized athletic program, although observers returning from camps and from maneuver areas report many games of all kinds being played.

At present many reports of official inspecting officers and newspaper articles indicate participation by service teams in a widespread football schedule. Baseball, softball, volleyball, boxing, tennis, and horseshoes are sports in which leagues and tournaments have been generally held throughout the Army during the summer months.

PROPOSED FUTURE PROGRAM

With the end of the maneuver training periods at hand, the emotional stress incident to the extensive training program would incur a psychological let-down. For this reason the Morale Branch believes that an extensive program of athletics universally adopted throughout the Army will materially assist in providing an adequate substitute for this waning psychological stability. In addition to providing a check on mental and physical staleness, a well-rounded athletic program for recreation will assist in developing leadership, teamwork, self-pride, and organizational esprit.

With this in view, a program to cover athletic activities for the year January 1, 1942, to December 31, 1942, has been submitted to the General Staff for study.

The goal in Army athletics as outlined in the proposed program is to provide a sufficiently varied program to insure both the maximum participation and spectator interest of officers and enlisted men, and to contribute to the Army's public relations. The program of Army athletics is thus pointed towards:

1. *Maximum Participation.*—This depends upon stimulation of unit commanders, who must in turn stimulate interest in intercompany, interbattalion, and inter-regimental contests in a wide variety of athletic contests organized and supervised by commissioned and noncommissioned officers.

2. *Spectator Interest.*—This must be developed by a supporting and convincing attitude of all commissioned officers toward the athletic program, and by development of pride in unit teams, and of the competitive spirit. In addition to the contests described in 1 above, spectator interest should be great in inter-Army corps, interfield Army, and Army athletic contests.

3. *Public Relations.*—This must be developed by arranging contests with civilian teams, by participation in special events, and may include the development of all-star, all-Army teams.

In this suggested general program for major sports, it is desirable that each company have a team in a battalion league. Each battalion winner should compete in a regimental league. Regimental winners should then compete for division championships. This procedure should be followed throughout the various echelons of the Army to determine champions in football, baseball, basketball, boxing, and other major sports.

Although not scheduled in the suggested yearly program, it is urged that other activities, including six-man football, touch football, soccer, wrestling, track and fields, badminton, etc., be encouraged to promote maximum participation.

From time to time Army athletes may be centralized to form all-star all-Army teams for special occasions. Such teams and their schedules will be under the direction of the Morale Branch.

MORALE BRANCH ASSISTANCE

A group of physical education and athletic experts met during the past year to study the question of athletic opportunities for men in the service. The individual members of this group are available as consultants, not only to the Morale Branch but also to Morale officers of the various military organizations. This group operates as a civilian athletic advisory committee, which is a subcommittee of the Joint Army and Navy Committee on Welfare and Recreation.

A suggested program for battalion field day has been prepared by the Morale Branch and sent to field commanders.

A technical manual of sports and games dealing with field and court construction, rules, and coaching or playing techniques has been prepared and is now being edited and will be ready for distribution to the field at an early date.

A manual covering the field of athletic and recreational duties required of regimental recreation officers is now being prepared for distribution to all regimental athletic and recreation officers.

Under the proposed athletic program, specific information on each sport will be prepared and sent to the field when that sport is in season. Suggested basketball and boxing programs are in the process of preparation for early distribution to the field. A suggested plan for volleyball, playground baseball, tennis, baseball, and football will be prepared and sent to the field in season.

The Morale Branch has prepared lists of basic athletic equipment purchased for units going to foreign bases.

The Morale Branch has prepared specifications for all athletic equipment purchased against Quartermaster contract bulletins and for all sports arena equipment.

RED CROSS DONATION

The Red Cross patriotically appropriated \$1,000,000 for the purchase of recreation equipment for the Army and Navy, the Army's share being \$709,000. This money was all obligated by July 1, 1941.

In addition, the Red Cross has purchased considerable athletic equipment to be sent to the Base Commands.

SECTION 2—EDUCATION

EDUCATIONAL ACTIVITIES

The media of education which have been contemplated in the leisure-time educational program for military personnel are correspondence instruction, educational motion pictures, class instruction, lectures, discussion groups, exhibits, educational tours, and hobby groups. Of these, the first two—correspondence instruction and educational motion pictures—by their nature, must have central planning and organization. The remaining activities are developed on a regimental or other unit basis, depending upon the particular circumstances found in any regiment or other unit. It is not desirable that they should be limited to a standard program within all military establishments.

During the past year many such unit educational programs were operated. There were classes for illiterates in Replacement Training Centers and other posts where the number warranted their organization. Camps in appropriate locations had lectures or classes taught by instructors from nearby colleges or universities. At other posts tours were conducted to nearby points of historical or other interest. Cooperation with civilian groups brought about educational exhibits and the development of hobby groups. All these activities were developed to meet local conditions and to capitalize upon the local advantages.

A large part of the class instruction program was conducted through funds appropriated to the United States Office of Education for allocation to state vocational authorities. Under this program a number of classes were organized. In some cases the men were transported to nearby public-school buildings, and in others instructors met the classes in mess halls or other buildings on the military reservation.

With respect to the central planning required for correspondence instruction and educational motion pictures, two studies have been made. The correspondence course study resulted in recommendations that an Army Institute be established to offer correspondence instruction to military personnel in non-credit courses, and that arrangements be made with colleges and universities to teach correspondence courses to military personnel who desire to secure academic credit. It has been recommended that those studying courses in the Army Institute pay a registration fee of \$2.00 for each enrollment and that those studying university extension courses pay one-half the cost of fee and text material, the Government to pay the other half. In the initial operation of the Army Institute, it has been recommended that a branch be established in the Second Corps Area to serve the corps areas and installations east of the Mississippi River, and that one be established in the Ninth Corps Area to serve the corps areas and installations west of the Mississippi River.

The educational motion picture study resulted in recommendations that a program lasting from an hour to an hour and a half be shown in each regimental recreation building one night per week. The films to be used would be selected from documentary films, films developed by various governmental and any type of film which is educational in nature. In general an evening's agencies, films developed by corporations to show manufacturing processes, and any type of film which is educational in nature. In general, an evening's program would consist of several types of pictures. It was decided that before these recommendations should be approved, it would be desirable to conduct a trial to determine how well these pictures would be received by the men. Consequently, arrangements were made to show four programs in the various recreation buildings at Camp Lee and Fort Eustis, Virginia, each program to be shown for one week in each camp. This trial began October 13 and will end November 7th. Complete reports of attendance have not yet been received. The early weekly reports indicate a minimum of 5% and a maximum of 11.7% of the post personnel saw each program.

For the present, it is contemplated that these media of education will be stimulated through the Guide for Regimental Recreation Officers, in which discussions of each medium is given.

SECTION 3--ENTERTAINMENT

The problem of entertainment divides itself into two factors, the first one being that entertainment initiated, developed, and presented by the soldiers themselves for the edification of their fellow men in the Service. The second is entertainment brought in from civilian sources for the purpose of providing a divertissement for the soldier during his leisure hours. It has been the aim and purpose of the Morale Branch to encourage, as far as is practicable, both of these factors within Army camps.

It has been recognized by Army authorities that the development of soldier theatricals is conducive to good morale among the men. It is conducted on a voluntary basis and pleasure is derived not alone by those who participate but by audiences who attend performances of the shows given by the soldiers. The purpose of the Morale Branch has been to aid and assist the officers and enlisted men assigned to or participating in this work in every way possible. No direct supervision is given since this would tend to destroy the initiative and ingenuity of the men interested in presenting this form of entertainment. However, various helpful aids in the way of suggestions and material are being provided in order to assist in the general program and encourage this type of recreational activity.

In the early part of this year the Citizens Committee, at the suggestion of the Morale Branch, conducted an experiment in the encouragement of soldier theatrical entertainment by engaging two civilian advisors on soldier theatricals to work at Fort Bragg, North Carolina, and Fort Bliss, Texas. These men, during their stay at the two camps mentioned, aided the military personnel in initiating various soldier productions and coached certain of the men in principles of theatrical staging, directing, and production to enable them to carry on the work after the services of the civilian advisors had been withdrawn. This experiment proved so successful that nine civilian advisors have now been engaged, one for each corps area, who go from camp to camp, for the purpose of encouraging soldier theatricals and coaching military personnel engaged in this work. While none of these men started until after September 1st, the results of their activities are apparent already, as evidenced by the number of plays, musical shows and

revues which are now being presented in the camps. The dramatic organizations originated by these Civilian Advisors in the camps have been very successful and have maintained a very ambitious schedule of soldier entertainment after the Civilian Advisor's departure for another camp or post.

For the purpose of further aiding and encouraging soldier theatricals, an "Amateur Theatrical Manual" is now being distributed to all the posts, camps, and stations throughout the country as well as the foreign bases and possessions. This was prepared at the suggestion of the Morale Branch and published by the Citizens Committee. The "Amateur Theatrical Manual" is a textbook for interested military personnel on the organization, development, staging, and direction of plays, musical shows, operettas, and revues and is a complete guide for the presentation of soldier entertainment.

For the purpose of providing material for the use of the soldiers in their own productions, a "Skit Sketch, and Black-out Book" is now being published by the Citizens Committee at the suggestion of the Morale Branch and comprises 111 different comedy acts gathered for the exclusive use of soldier actors. It is contemplated that further material will be published from time to time as a further assistance in this type of entertainment.

Approximately 600 civilian Little Theatre Groups throughout the country are being encouraged through the National Theatre Conference to select plays for production that are suitable for presentation in Army camps close to their location. The results of this are now becoming known in various sections of the country where these Little Theatre Groups are taking series of plays into Army camps and presenting them for the benefit of the soldiers. Those plays which have been and will be found acceptable will supplement the professional schedule of entertainment and, for the most part, will play in the smaller recreation buildings.

As an additional method of encouraging entertainment from outside sources for performances in Army camps, the War Department recently adopted a policy which permits the acceptance of commercially sponsored shows to appear in camps and to provide amusement for the soldiers under supervision and regulations which insure high standards of good clean entertainment.

In March 1941 the Citizens Committee for the Army and Navy, Incorporated, was designated as an agency to assist the Army and Navy in providing entertainment for the various posts, camps, and stations. Shortly after its organization, this agency, working in close cooperation with the Joint Army and Navy Committee on Welfare and Recreation, and representatives of the Morale Branch, initiated plans for providing theatrical entertainment for the summer season. As a result of this planning, seven stage trucks were secured and furnished with necessary lighting and sound equipment to provide for outdoor shows. Professionally paid performers were secured and in June 1941, these mobile entertainment units were made available to corps area commanders for performances in the camps, posts, and stations where desired. Each unit consisted of five or six acts, making a show of about an hour and a quarter. Usually two shows were given each evening, if necessary, to accommodate the personnel in the camp. In several of the larger camps, the show would remain an additional day. As a rule these performances were staged out-of-doors, but in inclement weather theatres were used.

These units have covered every camp of any size east of the Rocky Mountains. Up to October 1, 1941, 1,038 performances have been staged to an estimated audience of approximately 3,300,000 soldiers. These shows were not requested for the Ninth Corps Area on account of the great distances involving travel and in view of the fact that most camps in that area were already plentifully supplied with talent from radio, screen, and stage, secured mostly from Hollywood.

These mobile shows have proved very satisfactory as attested by hundreds of letters received by the Citizens Committee for the Army and Navy, Incorporated, from all grades of personnel in the armed forces.

Several shows from outside sources, many of them Broadway productions, have been brought into camps for presentation.

About three months ago planning was initiated for a winter program of theatrical entertainment. These plans included a survey of the type of entertainment desired, the availability of suitable facilities, and the amount required to provide adequately for all camps, posts, and stations. It was decided that it would be desirable to provide a theatrical entertainment for every camp, post, and station of any size on the average of twice each month. Recently, at the invitation of the Chief of the Morale Branch, a meeting was held in Washington, at which outstanding representatives of radio, screen, and stage were present. Also attending were representatives of the Citizens' Committee, including

Mr. Eddie Dowling, noted Broadway producer and actor, who is Chairman of the Citizens' Entertainment Committee. At the meeting it was determined that the theatrical-entertainment objective desired by the Army could be met and discussions were held on suitable types of shows. It was decided that all shows would comprise paid professional performers and each would be a complete entertainment unit. Stars of the radio, screen, or stage would be added on a volunteer basis whenever possible. Two talent pools, one on the East Coast and one on the West Coast, are being formed to facilitate booking arrangements for those stars available for short periods of time to join entertainment units already touring.

As a result of the meeting held in Washington at the Office of the Chief of the Morale Branch, Camp Shows, Inc., a nonprofit agency, was organized under the laws of the State of New York, with Mr. Eddie Dowling as Chairman. The purpose of Camp Shows, Inc., is to provide professional entertainment and shows to the various posts, camps, and stations throughout the Army. Many of these plans have now reached the conclusive stage and a number of shows are being made ready for the tentative starting date, December 1, 1941.

On October 31, 1941, Camp Shows, Incorporated, with the cooperation of the Morale Branch, sent a "Flying Troupe" of entertainers in an Army transport plane for a tour of the Caribbean bases with the purpose of providing entertainment for the troops stationed there. The cast was composed of stars from the stage and screen world as follows: John Garfield, Chico Marx, Laurel and Hardy, Ray Bolger, Jane Pickens, and Mitzi Mayfair. Other professional theatrical troupes intended for entertainment in these and other bases will be organized and sent out from time to time as conditions warrant.

SECTION 4—MUSIC

In recognition of music as a factor of importance in relation to Army morale, an officer with a broad professional and military musical background was assigned to duty from the field to the Welfare and Recreation Division of the Morale Branch in June 1941.

Upon invitation of the Joint Army and Navy Committee, a music advisory subcommittee has been formed. Each of the fourteen members is a musical representative of national prominence. Divided into subcommittees, the entire field of music in relation to the Army is carefully considered by members of the committee. Their plans include providing phonographs wherever needed, the collection and distribution of phonograph records, assistance in the training of song leaders, cooperation in the development of efficient Army bands, dance bands, theatre pit orchestras, concert orchestras, and drum and bugle corps, group singing, and all other musical activities throughout the Army.

The purpose of the Music Section is to encourage the participation of the individual soldier in some form of musical activity, to assist the authorized musical organizations of the Army in attaining a high degree of usefulness and efficiency, and to cooperate with military and civilian agencies in the utilization of music as an integral part of practically every recreational activity.

A. To promote singing by Army personnel, a collection of the songs of the different branches of the Military Service, the patriotic airs of our country, and some of the melodies which may be considered American folk music, was compiled, and an Army Song Book was published and distributed to the Army in June 1941. The first edition of the Army Song Book consisted of one million five hundred thousand words books and twenty-five thousand music books. The second edition of one million five hundred thousand words books and seventy-five thousand music books has been printed and made available for distribution as required. The words edition of the Army Song Book, containing the words only, was designed to fit into the shirt or blouse pocket of the soldier's uniform and may be carried with him at all times. The music book is larger and contains the words, piano music, and chord indications for guitar and ukulele. The larger number of music books in the second edition was considered necessary in order to increase the ratio of music to words books to one for each thirty men.

A band accompaniment book for the Army Song Book is considered advisable. Plans for producing the book and the cost are being studied.

To serve as a guide to song leaders in selecting suitable music for quartets, glee clubs, and large choral groups, a source list of music was compiled from data furnished by the publishers of vocal music and distributed throughout the Army. This guide lists the title, composer, arranger, publisher, type, and cost per copy of the music listed.

B. The value of stringed instruments such as the guitar, ukelele, banjo, and violin, the so-called pocket-size musical instruments, the harmonica, ocarina, and tonette as a means of entertainment in camp and in the field is clearly recognized; consequently the playing of these instruments has been encouraged. A gross each of harmonicas, ocarinas, and tonettes furnished by the Citizens Committee of the Army and Navy with which to conduct an experiment with pocket-size musical instruments by a Division during the recent Second and Third Army maneuvers is reported to have prompted a buying rush which practically depleted the stocks of small musical instruments carried by retail stores in communities within the maneuver area.

To meet the urgent need for musical facilities in stations and bases too small for authorized bands, several sets of orchestra instruments and required accessories have been purchased by the Music Section with Red Cross funds for shipment to Alaska and certain of the Atlantic bases. Approximately eight thousand seven hundred dollars were provided by the Red Cross for this purpose.

C. In collaboration with the Music Division of the Library of Congress, recordings of typical Army music were made at Camp George G. Meade, Maryland. The cost of the experiment, approximately two hundred dollars, was assumed by the Citizens Committee of the Army and Navy. The recordings provide excellent data relative to the musical status of the bands, singing activities, dance bands, and miscellaneous groups at Camp Meade. Distribution of selected recordings of soldier musical talent to the Army is being considered.

D. With equipment loaned by the Carnegie Corporation, an experiment with recordings of the world's best music is being conducted in camps adjacent to Washington. The equipment consists of specially constructed phonographs and a collection of phonograph records, similar to those furnished colleges and universities by the Carnegie Corporation for use in music appreciation courses. The reception accorded this type of music will determine whether the Carnegie sets will be made available for distribution to the Army.

E. The official function of the Regimental Band is to provide the music and marching cadence for military ceremonies. The Band takes an important part at Guard Mount, Battalion and Regimental Parades and Reviews, the Retreat Ceremony, at funerals and chapel.

In addition to participating in strictly military ceremonies, the Band is the entertaining unit of the Regiment. Concerts and serenades are a regular part of band routine. The Regimental Band furnishes the Dance Band, usually, the chapel organist, stringed ensembles, as well as vocal and instrumental soloists.

The music of the Regimental Band provides color and arouses team spirit during football, baseball, and other field sports and games.

F. The Selective Service Act is drawing into the Army large numbers of young, high school, college, and professional musicians. Artists from the opera, from symphony orchestras, the concert stage, radio, and the motion-picture studios are willingly giving of their talent on camp radio programs and for the entertainment of their fellow soldiers. By use of the Army classification system every effort is made to utilize the talents of accomplished musicians who come into the Army, consistent with the military training program.

"EXHIBIT No. 330" introduced on p. 3779, is on file with the committee

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EXHIBIT No. 332

INTERNATIONAL UNION OF MINE, MILL & SMELTER WORKERS

303 Railway Exchange Building

DENVER, COLORADO

Research Office 1407 L. St., N. W., Washington, D. C.

INCREASED PRODUCTION OF VITAL NON-FERROUS METALS FOR THE VICTORY PROGRAM

The time for discussion and argument is over. Every American must rise to meet the dark emergency that confronts our nation, our liberties, our lives.

Our country invaded, our cities bombed, our ships sunk, our citizens murdered—the American people must answer. We must join with our allies in Britain, the Soviet Union, China—all other anti-fascists throughout the world, to guarantee the absolute destruction of the Fascist axis.

In this fight, the battle for production assumes new significance. In the effort to out-produce the Axis powers, to turn out the huge quantities of materials of war which will guarantee our victory, labor's role is fundamental.

The International Union of Mine, Mill and Smelter Workers recognizes its responsibility to our nation in this crisis. Even before the outrageous attack by the Japanese partner of the Axis upon our peaceful nation, it had become evident that the democracies of the world were faced with serious shortages of vital base metals, the raw materials for war. The measures taken to date fall far short of the needs even of "all-out aid" to our allies; today obviously all past concepts of our needs, all past concepts of the sacrifices we must make, fade in the face of reality—we know we must exert every energy, use every bit of knowledge, every production trick to produce in quantities never before dreamed possible.

Towards this end, our Union, together with the entire Congress of Industrial Organizations, stands ready to participate in the truest sense of national unity with management and government to guarantee our final victory. In the words of President Philip Murray, of the CIO, we are "ready and eager to do our utmost to defend our country against the outrageous aggression of Japanese imperialism and to secure the final defeat of the forces of Hitler which have plunged the whole world into a bloody war in their drive to enslave the human race."

We therefore offer this memorandum by way of constructive criticism and suggestion, not as a complete panacea for the problems involved, but more as a new approach to the entire question.

It is well to note here that the International Union of Mine, Mill and Smelter Workers is the only nationwide organization of labor in the entire non-ferrous metals industry, starting at the mines and following through the primary fabricating processes, so that it will be understood why we feel that the problem of production for national defense cannot be approached piece-meal, but must be taken on a comprehensive basis involving the entire industry.

REVIEW OF MEASURES TAKEN

Generally speaking, the measures adopted thus far by defense officials to obtain greater supplies of raw materials are:

1. Importations of available supplies, as from South America;
2. Sympathetic assistance to the industry's pressure upon labor to work a 6-day week;
3. Curtailment of existing fabricating plant capacity handling consumer goods, so as to save raw materials for defense needs;
4. Large-scale expansion of fabricating capacity for defense production;
5. The use of price increases as an alleged incentive to greater output; and
6. Loans to mine operators for expansion of existing properties.

These Measures Are Not The Answer.

Of these six steps, only the first and the last—importation of available supplies from abroad and loans for expansion—really serve to increase supplies of needed metals. All the other measures clearly demonstrate a failure on the part of the individuals and agencies involved to get at the root of the problem—to increase production of the necessary metals.

We find to date curtailment of existing fabricating capacity side by side with large-scale expansion of new fabricating capacity—an obvious and absurd paradox; and, moreover, a complete evasion of the essential task of expansion of capacity at the very beginning of the industry—mine output.

"Put First Things First" has become a well-worn phrase in the defense agencies; but first things have not been put first in the consideration of this major problem confronting our nation.

Briefly, our organization contends that prices do not mine ore and will not bring more rock to the surface; that expansion of fabricating capacity in our industry will not bring more rock to the surface; that curtailment of existing capacity will not bring more rock to the surface; and that, since no other major approach has been made to this problem by the federal agencies and by industry itself, no more rock is going to be brought to the surface until and

unless drastic and immediate changes are made in the entire program for production.

More rock will be brought to the surface and more metal recovered only if the miners and smeltermen and other workers in the industry become an integral part of the whole production picture.

Basic to this entire discussion is the understanding that there can be increased production starting at the mines, only if conditions of labor are improved by the various means to be suggested to make it possible for men to produce more rock.

OUR RECOMMENDATIONS

Make an Industry-Wide Inventory.

Under present conditions, statistics as to our needs for non-ferrous metals are meaningless. In this crisis it is obvious that our needs are infinite, that every single pound of copper, of lead, of zinc, and of the other vital metals that can be mined must be brought to the surface as quickly as possible. We must drastically alter all previous concepts of productivity of mines. So long as any mine has metal which can be brought to the surface, that mine must be worked.

Great as our needs are, they are intensified by the fact that the attack upon us by Japan jeopardizes one major source of supply of copper upon which defense officials leaned heavily—namely, the 500,000 to 600,000 tons of copper from South American mines.

With the need for using every available ship to transport materials and men to the fighting fronts, the possibility of having the necessary bottoms for the transport of copper from South America becomes dimmer. Moreover, it is obvious that even those ships which may be retained in the transportation of South American ore cannot be counted upon for regular deliveries.

We must therefore realize the hard fact that we shall have to count on our vast resources, our own abilities and efforts to produce the vital base metals. Every mine, every level, every workface must be utilized for victory.

Immediately, we must undertake a detailed and complete inventory of the industry to ascertain the number of mines in operation, the present real capacity of those mines at full time operation, the number of miners at work, the potential capacity of the mines if new equipment were installed, the availability of new mines. Such information has never been assembled. It must be done without delay.

To get a coordinated picture of the facilities of the industry, there must also be an immediate plant-by-plant inventory of every existing production unit in the industry to ascertain the number of plants, the amount and type of equipment, the available trained labor supply and supervisory staff, the nature of that unit's current business, and the possibilities of adapting that unit to defense production.

The results of proceeding without such basic information are best illustrated by showing what actually has happened in the fabricating end of this industry.

Defense officials a year ago faced an industry situation in which fabricating capacity was greater than mine output from both domestic and foreign sources under existing production practices. But without the slightest explanation of their action, they suddenly announced the granting of \$35,000,000 to the brass industry to expand brass production by another 79%—adding to its present 95,000,000 pounds of cartridge brass monthly capacity another 75,000,000 pounds!

There was not the slightest indication of concern in this step as to how the necessary copper and zinc supplies would be found to produce 170,000,000 pounds of cartridge brass if we cannot even meet the present capacity of 95,000,000 pounds.

The results were inevitable: by early October, defense officials were forced to issue an industry-wide order curtailing the use of copper for consumer goods in more than 100 different items, and by October 23, the War Department itself ordered major curtailment of shell cases because of overproduction of this vital defense article in comparison with loading facilities.

It is fair to assume that during November 1941 no more than 60% of our brass mill capacity was utilized. Yet in the immediate future we are to have new brass capacity of another 70% above the present capacity ready for operations!

Such a state of affairs is scandalous and inexcusable. The answerable parties should be brought to account for this misdirection and sabotage of our national interests.

Make Full Use of Industry's Resources.

The resources of our metal mining industry are not being fully utilized. There are two sources of additional production which must immediately be brought into operation. These are: (1) mines which were shut down during the depression; and (2) workplaces in operating mines which are not being exploited.

According to the Bureau of the Census, there were 180 operating copper mines in 1929; by 1939, there were only 49 producing copper mines, and the total output of recoverable copper had dropped 28% below the 1929 figure.

As for lead and zinc, the number of producing lead and zinc mines dropped during the same 10-year period from 375 to 254.

Of the 208 iron-ore mines producing in 1929, only 174 were producing in 1939.

Certainly it would be worth while to survey this field to determine how many of the 131 copper mines that have been shut down since 1929, how many of the 121 lead and zinc mines, how many of the 34 iron-ore mines, ceased operations because of depletion; how many stopped operating because of the general economic collapse of the thirties, but are still potentially productive.

A certain amount of capital expenditure may be necessary to bring such mines back into operation; but it would not be correct to assume, merely because many of these mines were forced to close down because of the depression—low prices and disappearing demand—that these mines are necessarily high cost, or marginal operations. Certainly, any metal remaining in them is needed now, and must be brought to the surface.

In addition, there may be found throughout the industry specific instances of failure to operate at capacity, or anywhere near capacity.

A few such examples, taken from reports of our locals and organizers in various parts of the country, will illustrate the point:

The Bunker Hill & Sullivan Mining and Concentrating Co., an important lead and zinc producer in Idaho, owns the Bunker Hill Mine and operates on one shift. This mine has 23 levels, of which levels 10, 11, 12, 14, 15, and 16 are not being worked. Developmental work is being carried on in levels 13, 17, and 18.

Ore reserves, according to a public statement by the president of this corporation about two years ago, will last indefinitely.

The levels mentioned have stopes, drifts, and numerous workfaces that carry rich ore bodies.

This company has two mills, the South mill and the West mill. The South mill, with a capacity of 600 tons per day, is now idle. The West mill, with a capacity of 1,200 tons a day, has added a new department which is supposed to increase the mill's capacity by some 600 tons per day. This mill is not working at capacity.

The same company has one smelter with a capacity of 350 tons of lead per day. It is now turning out about 195 tons of lead per day.

The company operates at capacity when all three of its blast furnaces are working full time. Its No. 3 blast furnace has about the same capacity as No. 1 and No. 2 combined—but the No. 3 furnace is not operating at this time.

The Douglas Mine, owned by the Douglas Mining Company, whose president is also president of Bunker Hill & Sullivan, has four levels reputed to contain the best zinc ore bodies in the district; it has all the necessary equipment and a camp for operations. Today only a watchman takes care of this idle camp. We should know if the Douglas Mine is being kept as a future reserve for the company, instead of operating for national victory.

The Morning Mine, owned and operated by the Federal Mining Company, works two shifts, with four levels currently operating and producing lead and zinc.

The miners assert that in levels such as the 2,400 and 3,000, the company is employing only enough men to keep the places open—producing almost no ore, even though these places carry good commercial grades of ore and production could easily be increased substantially.

The Morning mill currently averages 18 trains a day with about 20 tons of ore per train. A year ago, the men report, the mill averaged 22 trains a day—or 80 tons a day more than it now handles.

In the rich Butte, Montana, mines of the Anaconda Copper Mining Company, monthly copper production has declined about 2,000 tons a month as compared with the average monthly output during the first half of this year, the local union

leaders report. There have been no stoppages or slowdowns—but layoffs are reported despite available workfaces.

A different example, but equally valid as an instance of failure to produce in the face of our war needs, is the shutting down of the Walker Mine in California by the Walker Mining Company directors, because the company couldn't show profit at 12¢ copper.

While our Union does not dispute the losses incurred by this company, it wishes to call attention to the following facts:

This company lost money in 1935, 1936, 1938, 1939, 1940—but it operated all but six months in all these years.

The average price of copper in 1935 was 8.649¢ a pound; in 1936, 9.47¢; in 1939, 11.296¢; but in 1941, with copper constantly about 11.775¢ (12¢ Connecticut Valley), the company shut down.

In its review of the industry for 1940, the Engineering & Mining Journal said: "Copper output (in California) in 1940 came from the Walker mine, operated at capacity by the Walker Mining Company. California output was 60% higher in quantity and 74% higher in value than in 1939, due principally to the activity of this company."

But the price of copper in 1940—when Walker was willing to operate at capacity and lose money—was lower than the price of copper today, when Walker is shut down.

While we are not questioning the company's losses, it is interesting to note that Poor's Industrial Manual for 1937 stated that Walker's cost of production of copper per pound sold, after credit for silver and gold in the ore and with the cost of smelting, freighting and refining added, was 9.399¢ a pound in 1936. This is mentioned because we have been advised that Walker's cost of production is estimated at 20¢ a pound.

In 1940, Walker produced more than 10,500,000 pounds of copper. Now that mine is shut down. Our nation must have that 10,000,000 pounds of copper now. That mine should be put back into production.

The company has indicated that the principal problem at Walker is the exhaustion of ore reserves. We would like to call attention to the following excerpt from Poor's Industrial Manual for 1941, regarding the Walker mine:

"Ore Reserves.—For economic reasons it is impracticable to develop and block out ore bodies far in advance of current operations. Because of the width and continuity of the Walker fissure zone both on strike and dip as disclosed by past operations, and because of the nature and mineralogical character of the vein, it is believed that the mine can be operated at full capacity for many years to come."

End Blackouts.

Inseparably bound to the question of capacity production is the need for unbroken operations and putting an end to conditions which result in the astonishing rate of turnover in the working staff.

The Union holds that our national crisis requires drastic overhauling of views and techniques and that industry, government, and labor should work together to bring about that continuity of employment and production which will eliminate not only "week-end blackouts", but day after day blackouts.

Mining operators and defense officials have repeatedly brought pressure on labor to work a 6-day week.

Our Union cannot understand why employers should want to pay for 12 hours' work for only 8 hours' production on the overtime day; nor why government officials should support that position.

Payment of 12 hours' pay for 8 hours' production will not mean bringing 12 work hours' more copper, lead or zinc to the surface. This will not produce for our nation, therefore, the metals which we must have. It merely means that the operators will be able to use this increased labor cost as (a) an excuse to win exemptions from the penalties of the Wage-Hour Act by getting permission to work 48 hours without overtime payment; or (b) an excuse to get OPA to agree to higher prices for the metals for 6-day, overtime production.

Why should the United States Government be forced to pay more for metals without getting more metal for national defense? Why should the government be party to paying higher prices without increased production—a price based on 12 hours' work for only 8 hours' output?

Countering this illogical and unproductive measure is the Union's proposal that the basic 8-hour day and 5-day week be maintained, with over-all operations expanded not to a mere 6 days, but to 7 days a week, 24 hours a day. We

advance this as the goal—with full realization that it cannot be immediately achieved. This objective can be realized only through adoption of the measures to be discussed.

Under present conditions in most mines, our nation's miners could not work on a 3-shift basis. In some cases, the 3-shift technique may be used in modified form, as in three 6-hour shifts to permit the air to clear; or in two 8-hour production shifts and three service shifts so that the production men may work at top speed on their shifts.

In making continuous operations possible, two problems are interlocked and inseparable—the essential technical, engineering needs and the improvement of working conditions.

In one of the world's largest mining camps, a recent survey revealed the amazing fact that more than half the employees (of some 5,000 workers) worked less than half the month.

Yet in this camp, the management's major campaign has been to put its workers on the 6-day week—apparently indifferent to the fact that even under a 6-day week, if the same turnover continued, the company would actually be getting an average of three days' work per man.

The same solutions which would bring about a greater continuity of employment in the regular and present work shift would make possible the complete operation of the camp on a full time 24-hour a day, 7-day a week basis. Under no other conditions is an unbroken production schedule possible. Under no other conditions is efficient production possible even on a single shift or 2-shift basis.

MULTIPLE SHIFTS

Various mine operators continue to assert that mines cannot be operated on a multiple-shift basis. But multiple-shift operations may be found in every type of metal mining, and idle mine capacity undoubtedly is just as wasteful—even more wasteful than idle plant capacity generally.

The Bureau of Census' report on Mineral Industries: Copper Ore, for 1939, showed this situation in the copper mines and mills:

"Of the 49 mines, 22 operated on a 3-shift basis, 15 on a 2-shift, and 12 on a single shift. Virtually all copper concentrating mills operated three shifts.

"However, most of the employment in mining and milling was during the first shift. Of the total number of man-shifts worked at mines by wage earners, 66% were worked during the first shift, 29% during the second, and 5% during the third.

"The corresponding percentages for the first, second, and third shifts at copper mills were 67%, 17%, and 16%, respectively."

A similar study of the lead and zinc industry showed that 28% of the mines and 67% of the mills operated on a 2- or 3-shift basis during 1939. Of the 254 mines, 27 operated on a 3-shift basis and 43 on a 2-shift basis; of the 118 mills, 64 operated on a 3-shift and 15 on a 2-shift basis.

Significantly, 77% of the mine work-shifts were worked during the first shift and only 2% during the third; while in the mills, 54% of the work-shifts were worked during the first shift and 19% during the third.

This shows conclusively:

1—that multiple shifts—yes, even 3-shift operations—are not only possible, but are common in the industry;

2—that full utilization of multiple-shift operations is not being made by the industry;

3—that, therefore, obvious and great increase in production is possible in existing operating mines alone.

CLEAN THE AIR

To guarantee that a miner will remain at work, intolerable conditions of employment must be rectified—and again this is posed by the Union not solely from the viewpoint of improving working conditions for the men, but, rather, on the basis that only through such improved working conditions can increased production take place. A major factor in this respect is that of ventilation.

On November 15, four miners employed at Butte, Montana, in the St. Lawrence mine of the Anaconda Copper Mining Co., Nick Butko, Fred Bugni, Charles Makela, and Charles Thomas, were suffocated to death at their workplace underground.

This tragic development is but the latest and most striking proof of the Union's contention that adequate ventilation is essential. The four dead workers remain

grim reminders that the men still alive, the half-suffocated men still working in the mines, cannot be expected to work efficiently and to produce as much as they could under normal conditions.

The Engineering & Mining Journal for September 1941 reports a particularly good illustration of how this problem can be met.

Magma Copper Company, in Arizona, has just installed three new 140-ton centrifugal machines to provide air conditioning down to the 4,600-foot level of its mine in Superior, Arizona. This is the third extension of the original air-conditioning system installed in 1937. As a result, temperatures in the deepest working place will be cut from 150 degrees to 90 degrees, and permit increased copper output.

Although it may still be argued that the company should have installed more equipment to cut the temperature even further, this, nevertheless, illustrates that the problem of adequate ventilation can be solved.

The ventilation problem does not always require expensive air-conditioning units. In some cases, cutting more airshafts—more holes to the surface—so that fresh air can come into the mines and spent air can go out would be adequate. "More holes punched through to the surface, with the proper arrangement of air doors on the various levels" was characterized as one of the most practical solutions to the ventilation problem in the deep Butte mines, for example, by an official committee of the men themselves.

Adequate ventilation and efficient fans in the mines become an immediate aid to increased productivity in two ways:

1. Fresh air and lowered humidity and temperature make possible more vigorous work by the individual miner in workplaces that are now difficult to work. This would also do away with a great reason for "quits" and make possible mining in such levels where work has not been possible at all—as in the case of the Magma Copper mine just cited.

2. Fresh air and efficient fan systems would clear the levels of the dust and gas caused by blasting at the end of the shift and would thus permit the use of multiple shifts in the mines.

At present the main talking point of the operators against the multiple-shift system is that it is impossible for men to be sent to work after blasting on the previous shift. And that is true under present conditions.

Obviously one argument against this proposal is the expense involved in the installation of such new equipment where holes cannot be punched through to the surface. To this there are two answers:

1. If Magma Copper can do this, so can Anaconda and Phelps Dodge, for example. In short, the important producers are in a financial position to do this.

2. If the operators themselves refuse to spend money to bring about increased production for national defense, and if the Government desires to advance money for such improvements, the money is far more wisely spent in this direction than to these same companies' brass subsidiaries for expansion in brass fabricating, when there is not enough copper and zinc to meet the needs of existing brass capacity.

Our Local Union in Bessemer, Alabama, submitted to the Woodward Iron Company proposals to clear up its bad ventilation problem. The recommendations were accepted by the company with fine results, and the company is operating on three shifts.

RATIONALIZE THE CONTRACT SYSTEM

Many of the major mining operators impose a contract system in their wage payments—a system characterized by inequities which give rise to discontent among the labor force, and which boomerangs as an incentive plan.

It is not necessary here to go into great detail regarding the many grievances arising from contract prices which result in "quits"—repeated interruptions of production.

From the management's and the government's viewpoint, the greatest weakness in the contract system is that it is the greatest single incentive to breaking down continuity of employment and thus of production. It is an incentive system which works backwards.

The contract system theoretically encourages a miner to stay at work constantly, giving him a wage higher than the base rate in proportion to the feet of rock broken above the established norm. In practice, it makes it profitable for the miner to work only in workplaces where (a) the temperature and humidity

permit full steam ahead; (b) the nature of the rock allows comparatively easy and good results; and (c) the methods of servicing and access to supplies are conducive to efficient work.

Whenever any of or all these prerequisites are missing, the miner's ability to "break rock" and earn his contract rate is directly and immediately affected. And whenever a miner realizes that he is not going to be able to earn his contract rate, he "quits" his job, goes to the surface, and rustles for another workplace which will let him make his bonus.

And the record shows—as in the instance of the major camp already referred to—that *among the regular employees* there is a terrific fluctuation in the continuity of employment—more than 50% of the men working less than 50% of the month in the instance cited.

Let the operators explain to the government which needs more mine output and to the public generally why this type of management is the best they are capable of demonstrating. For our part, in this one item alone lies one of the most important causes of the inefficient and unproductive nature of present mining operations.

The contract system must be modified to stop the pressure which forces men to quit their jobs rather than to continue working in a stope in which they cannot "make their rate." When these men quit, no one profits—the company has no production, the man loses his pay, the government loses its vitally necessary metal.

Naturally, rationalization of the contract system alone would not be the full solution to continuity of employment, but it is an essential step in achieving unbroken operations.

USE THE AVAILABLE LABOR SUPPLY

Basic to multiple shift operations, of course, is the question of labor supply.

Inevitably, even in the face of unemployment figures in the hands of local, state, or Federal agencies, the operators insist that they are unable to obtain a sufficient number of skilled miners.

From 1929 to 1939, more than 20,000 miners in copper alone were thrown out of jobs by the closing down of operations and because of increased productivity per man shift, according to the Bureau of Census.

Over the same period wage earners in the lead and zinc ore industries dropped from 25,907 to 15,544.

Nor should we ignore the fact that employment among coal miners has dropped (for anthracite mining) from 142,800 in 1929 to 71,400 as of September 1941; and for bituminous mining from 458,700 to 432,100 in the same period, according to Bureau of Labor Statistics.

Thus, about 130,000 skilled miners were thrown out of jobs in this short period of time. Anyone acquainted with the mining industry knows there is a constant interchange of miners from coal to metal fields, and that skilled coal miners may be found working in almost every metal-mining camp in the nation.

Not even the most extreme will argue that all these 130,000 experienced copper, lead, zinc, and coal miners have died, have become too old to work, or no longer desire to work. Indeed, the "rustling lines" at the mining camps give first-hand proof of the availability of miners.

A serious factor which the government must face if it agrees that every available skilled miner should be employed producing vital base metals is the practice of the operators in the important southwest copper-producing area in refusing to hire experienced miners, known to be union members. The most striking recent example of this on a mass scale was the action of Phelps Dodge, Miami Copper, and Inspiration Copper, all in Arizona, during the shutdown of the unionized Shattuck-Denn properties because of flood. In spite of the fact that 300 skilled miners were temporarily unemployed, the companies named shut down their employment offices to avoid hiring the experienced union miners in the face of our defense requirements.

Where the operators have accepted the Union's cooperation, experienced unemployed miners have been supplied, and production has been increased. At the properties of the Tennessee Coal, Iron, and Railroad Corporation, and at the Bessemer and Irondale mines of the Sloss-Sheffield Co., the Union proposed the hiring of "swing" men on all shifts to permit 6-day operations, while retaining the 40-hour, 5 day week. The Union furnished experienced miners for this work from its unemployed rolls. More than 500 men were so employed, and the resultant increased production has balanced the furnace capacity in that area, which had been increased in recent months.

Another instance of our Union's effort to encourage uninterrupted production through effective use of available labor is the work of local committees to get our men not to lay off the day after pay day. In many camps this is a serious problem, decreases of as much as 50% in the work shift having occurred. Our committees' work has drastically cut into these voluntary lay-offs.

But even with miners available, there are considerations which explain why some camps will not get men.

RAISE WAGES

The Tri-State lead and zinc fields of Kansas, Missouri, and Oklahoma, for example, have constantly paid substandard wages—from 95¢ to \$2.50 a day below the industry generally. The Michigan copper range wage scale is between \$2 and \$3 a day below the industry rate.

And the industry average—a little above 80¢ an hour—is far out of line with the average hourly wage rates in coal mining, steel, auto, rubber, and oil refining—other basic industries of our economic structure having average hourly rates of \$1 and higher.

It has been commonly assumed that the hazardous and unattractive nature of the mining industry brought with it a compensatory wage scale, one higher than basic industry generally pays. The contrary is true, and if many skilled miners and craftsmen who worked around the mines have forsaken the mines to work at easier and higher-paying jobs, the operators will have to decide to meet the wage scales to draw such workers back.

PROVIDE ADEQUATE HOUSING

Again, there are numerous mining camps where housing is both inadequate and insufficient to permit increasing the working staff, even though miners are available. Even in such a camp as the Mountain City Copper property, the company prefers to work its miners on a 6-day week rather than to build more houses, employ more men, and use multiple shift operations.

Experienced miners are to be found throughout the nation, particularly in such areas as the Michigan copper range where unemployment has continued as a result of mine depletion. But no long-range nor adequate guarantee has ever been proposed to these hundreds of miners that might get them to risk leaving their only known homes, their friends, to seek out new homes and new jobs in other mining camps.

TRAIN NEW WORKERS

In addition to the available experienced miners, we must take into account the new crops of young men in the mining areas ready and eager to work, able after a little experience to become the experienced miners of the coming decade.

DIVIDE THE JOBS

There are some mines in the industry where the miner does every job—drills, blasts, shovels, timbers, hauls his tools, and so on—each service part of his assignment taking away from his basic production job.

There are other mines in which there is a degree of job specialization—where miners primarily drill and blast, others "muck" the rock, still others do the necessary timbering.

But in no mine has the whole question of work specialization been carried out in the most efficient manner possible. The operators have always worked on the assumption that if they can get one man to do more than one job at a time they are saving money.

In terms of total output and highest productivity per man shift, the mining operators are, of course, an anachronism in industrial engineering and labor relations. The reason for this lies in the fact that mining operations have always been more profitable even under poor efficiency than factory operations, and that profits per worker tend to be larger in mining than in manufacturing; so that the pressure for this division of labor which manufacturers have always felt, has for the most part been lacking in mining operators.

If special service crews were constantly available to see that the necessary auxiliary work was done, the miners could produce without delay.

SERVICE THE MINES

Aside from more efficient division of work and the other problems already touched upon is the simple question of servicing.

Necessary supplies and tools are too often either inadequate or difficult of access to the miner. In many mines a miner has to carry his tools and supplies considerable distances on foot underground; in others, long delays are incurred waiting for the ore trains to take the men.

Increased efficiency in these matters is sorely needed in all parts of the metal mining industry. Iron ore miners in Alabama, for example, report a situation wherein some 80 hand-loading workers are forced to transfer the ore some 25 to 30 feet before being able to load the ore into cars. If the company would lay the tracks right up to the face, a job easily and quickly done, the men claim they could load 6 ore cars in the same time they now load 3.

IMPROVE THE HAULAGE SYSTEM

A committee from Butte Miners' Union No. 1, of our organization, makes this specific comment in explaining how a "poorly maintained haulage system" affects production:

"It should be explained that the first operation in opening up an ore body on a mine level is drifting on the vein. Veins are often very crooked, with numerous sharp turns and, naturally, the drift is sometimes also very crooked, with numerous sharp turns. This drift is often used long after the ore bodies are opened up and stoping of ore has been in operation for a long time. The ground is heavy along the vein, the timbers are crushed in, the tracks are heaved up and down, rock continually falls on the sides so that the track becomes a narrow, tortuous, up-and-down little channel in a miniature canyon, with rocks, large and small, often scattered along the bed of this canyon.

"These conditions must be seen in order for one to form an accurate idea of the difficulty of hauling rock under such obstacles. Locomotives and trains often become derailed, causing considerable loss of time before they are straightened out. The contractor suffers through all this mismanagement. He loses time through not getting his rock hauled away, through not getting empty cars, through not being able to get in timber and other supplies, and so on. Often he quits in disgust, because no adjustment is made in his contract price to compensate for the delays.

"Certainly all this is not conducive to efficient production of copper. This deplorable condition could be avoided by earlier attention to the driving of laterals in the solid ground and cross-cutting into the vein at convenient intervals; by putting a few days' pay men to work keeping the laterals in shape."

Our local union recently succeeded in having Republic Steel and Sloss-Sheffield add 100 cars each at their Bessemer, Alabama, properties.

ELIMINATE THE HOISTING BOTTLENECK

Some operators toss the question of multiple shifts aside with the comment that their hoisting capacity is too limited to handle all the rock that can be broken in three shifts—that they cannot get all the rock out through the small shafts in their mines.

Even in the cases where it is not practical to enlarge the shafts, to add new shafts, or to improve the hoisting equipment generally, this does not necessarily waive the possibilities of continuous operations.

There are some mining operations—such as the Woodward Iron Co. properties in the Bessemer, Alabama, area—which operate 24 hours a day, using two production shifts, but three service and hauling shifts.

In cases where more rock can be broken per shift than can be hauled away through the shaft, the shaft can be operated three shifts a day while drilling and blasting goes on two-shift operations.

CUSHION PRIORITIES UNEMPLOYMENT

The creation of new brass fabricating capacity despite the present surplus capacity, the failure to inventory existing fabricating capacity with a view to transferring such capacity into defense production—such mismanagement has already created, and threatens to create still further, a major "priorities unemployment" situation, all the more tragic in that it is so unnecessary.

Our nation still needs a detailed inventory of our fabricating capacity—the number of plants, the amount and the type of equipment, the size of the labor staff and of supervisory personnel. With such information, defense contracts can be allocated properly either through prime or subcontracts to all existing production units prepared to handle such contracts.

If expansion were still necessary, plants not immediately equipped for victory production should be converted where possible, rather than spending millions of dollars and using vital materials to build new plants, as well as supplying new equipment.

It is necessary to set up an apparatus whereby a trained labor force can be made available for newly created jobs in defense, retaining meanwhile their seniority rights and other benefits, such as group insurance, at their original plants.

The policy of severance or dismissal wages will have to be met by industry for employees thrown into idleness through no fault of their own. Corporation heads with excess brass fabricating capacity should have resisted unnecessary expansion in the industry; their employees were not consulted and should not be made to suffer.

And, finally, the Federal government itself, aware of the need for caring for its people not only from the humanitarian viewpoint but for the sake of national morale as well, must take immediate steps to provide adequate relief, as though expanded WPA programs, wherever such layoffs take place.

COLLECTIVE BARGAINING CAN HELP

Every factor thus far mentioned, technical or otherwise, can be most efficiently and speedily adusted through honest and above-board collective bargaining between the workers through their Union and the companies.

The matter of wages, of adequate housing, of poor servicing, of poor working conditions, and intolerable temperatures, of inequitable contract arrangements, of multiple shifts—every issue thus far discussed can best be handled thoroughly by use of the collective bargaining machinery—since the record of experience is clear that such matters have not been rectified by management alone.

And since management is not likely to make such drastic changes without great prodding, the best guarantee of a thorough-going readjustment of production techniques in the mining industry would be for such problems to be handled on an industry-wide basis by a joint body consisting of industry, government, and Union representatives, all with equal authority to decide upon the necessary measures to be adopted.

EXAMINE PRICE AND PRODUCTION POLICIES

It is impossible to discuss the question of increased output of copper, lead, zinc, etc., without coming head on into the question of price.

In view of the history of wage and price relations in this industry, it is necessary at this point to make very clear that our discussion of the price of these metals is based solely on considerations involving production and the government's purchase and price policies. Labor does not seek price increases to raise its own wages.

In the past, the industry has been able to tie wage rates to the price of the metals through a "sliding scale" system, whereby wages rose and fell with increases or decreases in price, and without regard to such considerations as corporation profits or living costs.

As a result, especially in times of national emergency such as this, the industry has always been able to blame labor for increased prices by saying that the workers were pushing for higher prices in order to get the automatic wage increases under the sliding scale.

During the last year, in conformity with a formal position adopted at two successive conventions of our Union, our organization has finally broken the backbone of this system of wage payments and has abolished the sliding scale, with almost no exception, in the contracts negotiated or renewed.

We stress this so that it will be clear that the false argument hitherto used and eventually exploded by our efforts may not be used to confuse the issue—labor does not seek price increases to raise its own wages.

But, while we are not concerned with the price structure in the industry insofar as wages are concerned, we have definite concepts of the relationship between price and production.

Fundamentally, of course, we maintain that prices do not dig rock; that until such conditions as have been previously discussed are rectified, the working force that makes production possible will not be able to increase appreciably the present output, regardless of price.

We see three factors which enter into consideration of the problem of prices and production in this industry: (1) The nature of the industry; (2) the time element; (3) the type of price increase.

THE NATURE OF THE INDUSTRY IN RELATION TO PRICE

The question of a rise in the price of copper, or of zinc, or of lead is complicated by the fact that in mining operations none of these metals is isolated from or independent of the others. The issue is quite different, for example, from that involved in the case of the price of coal.

Metalliferous ores are for the most part complex ores—particularly in the case of copper, lead, and zinc.

Anaconda, for example, although a large copper producer, is also one of the largest zinc producers. Lead and zinc, or copper and zinc, to ignore the other metals in the ore, are customarily found together, and are mined in one operation.

The Bureau of Census preliminary report on Copper Ore, issued in March 1941, points out that:

"About 13% of the mine value of the (copper) ore mined and milled during the year was derived from its contents of recoverable metals other than copper."

And this statement applies to the 49 mines specifically designated as copper mines.

Much the same situation prevails in zinc and lead production. If over-all price increases are used as a means to expand output, the government inevitably finds itself in a position of meeting demands from the major operators in the industry for price increases for each of the different metals taken from the same ore.

For example, OPA, on October 9, granted a 1¢ a pound increase in the price of zinc. On October 10, reporting this zinc price increase, the WALL STREET JOURNAL commented:

"The zinc increase may foreshadow an increase in lead prices, however, OPA officials admitted. These two metals are often mined together and, in mines where the lead content far outweighs the zinc, the increase in zinc prices will not compensate producers for higher wages or overtime pay if they increase their operations."

During that week representatives of the lead industry conferred with OPA officials and on October 18, even though no formal action had been taken on lead prices as yet, the WALL STREET JOURNAL reported:

"But members of the copper industry feel that they should receive the *same treatment as other nonferrous metals with a straight-line advance in price*. They claim this would eliminate any possible charge of discrimination. * * *

The question of the "straight-line advance" versus the "subsidy price increase" will be discussed later. Here we merely wish to point out that mine operators having zinc-lead mines or zinc-copper mines are pressing for a straight price increase on the lead or on the copper in their ores, having already received a 13% price increase on the zinc in the same ore—ore that is dug from the same rock, by the same work staff using the same machinery, in the same operations.

The operators, it must be noted, do not argue that since their *particular* ore has more lead than zinc they should therefore be given a higher price for the lead alone and not receive a higher price for the zinc—no; they want higher prices for *both* metals; they want to get paid twice for the same rock.

It must be understood that the producers who supply the great bulk of the nonferrous metals in our nation, and exert the major influences in the industry, are tightly integrated concerns dominating the copper, zinc, and lead production and distribution as well as the fabrication of these metals.

Thus, having won an over-all price increase in zinc, the major operators return to Washington again in their capacities as "lead" producers and ask for the same treatment that the "zinc" producers got; and, going out of one door, they return to OPA through another door, this time in the guise of "copper" producers, and demand the same treatment as the "zinc" and "lead" interests.

This, then, is one consideration that should be weighed in any price change in the nonferrous metals; namely, just how many times should the United States government pay any one company for the same piece of rock without in any way guaranteeing increased output?

THE TIME ELEMENT IN RELATION TO PRICE

Indicative of the gamble involved in giving a price increase to win more production is the fact that in the important Tri-State lead and zinc producing areas of Kansas, Missouri, and Oklahoma, the press statements dealing with the announcement of the increase in zinc prices significantly asserted that this increase would permit the *continuance of the present scale* of operations but would not permit expansion of output.

Spokesman for the operators was Mr. Evan Just, secretary of the Tri-State Zinc and Lead Ore Producers Association.

"The price increase," said Just, will enable the operators "to maintain temporarily the present rate of concentrate output * * *

"It can hardly be expected that the new scale of prices will make an important addition to the district rate of output * * * the most we dare expect is that this increase will forestall a production decline for a short time * * *

"If the defense authorities decide, as we believe they eventually will do, that the needs of national defense require a greater output from the Tri-State district, it is our opinion that at least a \$65 concentrate price (as compared with the new \$55.8) will be necessary to make any significant increase in production which can be sustained."

This is all the more amazing since the 8¼¢ a pound rate, besides being 13% higher than the previous price, is the highest price since January 1926—the highest for any month in 15 years—and higher than any average annual price since 1917.

We have a right, in view of such a generous price policy by O. P. A., to suggest that O. P. A. should demand to know of the industry just *when* the government will get increased zinc output as a condition of keeping the price increase.

We raise this question because the operators assert that a price increase per se is not sufficient to bring forth increased production, since they must also know *how long* they can count on enjoying the higher price in order to be able to decide how much they are willing to spend on expanding production.

Since no guarantee was given by O. P. A. of the duration of the price increase in zinc, there is little ground for hope that the operators will take any widespread steps to enlarge productive capacity.

TYPES OF PRICE INCREASE

Even after due consideration is given to the duplication of price increases to the same operators because of the complex nature of the ores and after the question of a guaranteed period for such price increase is disposed of, the type of price increase still remains a problem.

Granting for the moment that the government must buy the cooperation of the operators for increased production for our nation's victory through a price increase, price officials must decide whether to give the increase on the "straight line" basis, or in the form of a subsidy for increased production only.

O. P. A. has already created two important precedents: first in the case of the Michigan copper country, the high cost marginal producers were given an overall price increase for their total production; and then again in the case of the zinc producers, an industry-wide price increase for all production was granted.

From the production viewpoint—which is the only viewpoint our organization is interested in—an overall price increase is not the answer to increased production. Let it be repeated that such increases as have been mentioned were given by O. P. A. without any guarantee in return from the mine operators that production would be increased. The mine operators were in no way requested or committed to undertaking any changes in production technique, in quota, in complete utilization of their properties and equipment.

Actually the mine operators were merely given more money for their identical output.

It is important to note that this is an industry in which the operators are able to take advantage of higher prices by mining lower-grade ores, leaving their rich ore in the ground for the future when prices may be lower.

No price increase should be given except deliberately and directly as payment for *additional* production to each individual producer for amounts above an established quota. In the case of proved high-cost, marginal producers an outright subsidy may be permissible supplemented with a guarantee that it will be maintained long enough—two of three years—to enable the operators to make the

improvements and investments necessary and possible only under long-term operations. But the operator should be made to guarantee that such steps will be taken.

Thus used, the price increase becomes a direct payment for each and every producer for production above and beyond present levels. It would not increase profits for copper already being profitably produced at 12¢. This is paying for what you get, not for a promise.

THE INDUSTRY COMMITTEE

Basic to this entire memorandum is the understanding that there can be increased production starting at the mines, only if conditions of labor are improved by the various means suggested to make it possible for men to produce more rock.

It is our firm conviction that the best guarantee of capacity operations is the complete cooperation of labor in the victory effort, a cooperation given wholeheartedly by labor and accepted wholeheartedly by management and government.

As we have already pointed out, this industry is complex and highly integrated. It is not possible to deal with the problems of this industry on the basis of a single metal—that is, taking copper per se as an industry.

In this situation, it is necessary to create a general industry-wide Non-Ferrous Metals Victory Production Committee, of labor, management, and government representatives, to blanket the basic metals from the mines through the mills, smelters, refineries, and primary fabricators.

Such an industry-wide committee could easily deal through subcommittees with the specific problems relating to copper as such, or zinc, or brass, or any particular further subdivision.

But while such an industry-wide committee is essential in dealing with the industry-wide problems generally, the specific problems right at the bases of production should be handled through Mine Production Committees or Plant Production Committees.

Such committees should be joint management-union committees, personnel selected on a mine or plant basis by the management and the union, to meet regularly to develop ways of increasing production from that particular unit.

Government-approved engineers should be assigned immediately to cooperate with Mine Production Committees in the key mining camps.

In cases where either party on the joint committee fails to agree or refuses to cooperate in putting to trial ideas for increased production, the issue may be carried to the industry-wide committee in Washington for consideration if necessary.

The function of the industry-wide committee would obviously be to deal with the broad problems of the entire industry—the amount of idle capacity in the mines and plants; the practicability of utilizing this capacity through introduction of new production techniques or of more modern equipment; the availability of labor; conversion of nondefense plants (as in brass) to defense production to increase production and avert priorities unemployment; protection of labor's rights and economic security in these changes, and so on.

The function of the Mine Production Committee or Plant Production Committee would be to deal with the specific local situations. Just as many corporations encourage employees to submit ideas for new methods and devices, so such local Production Committees could consider suggestions and criticisms. An example is the specific criticism made by our Local Union in Torrington, Connecticut. The union contends that the type of equipment in the American Brass plant's powerhouse is old, inefficient, and not properly serviced; and that the last two breakdowns in the powerhouse—a turbine and a generator—need not have occurred, seriously blocking production for victory, had the company been willing to listen to the Union's spokesmen.

Such jealousy by management of its management problems is out of place in our fight for national preservation and the defense of democracy. These breakdowns, for example, did not profit the company. They caused hundreds of men loss of work and the government serious delay in vital production. This could have been avoided. This must be avoided in the future. Management must recognize labor's right to full participation in the defense effort, starting right at the production line.

The creation of such a committee, the joint and cooperative efforts of labor, management, and government, amicably, intelligently, and scientifically, is the

cornerstone of capacity production for our nation's victory. Its acceptance by management would be clear-cut evidence that management's "business as usual" outlook has finally been replaced by "everything for victory." The resultant cooperation of the three groups—labor, management, and government—would put an end to the guesswork and trial and error of the existing set-up in the industry.

To facilitate the development of this program and this relationship, the Executive Board of this organization at its recent meeting in Denver created a special Victory Production Committee of the International Union of Mine, Mill & Smelter Workers to work with the government through its various defense agencies.

The International Union of Mine, Mill & Smelter Workers Victory Production Committee is headed by International President Reid Robinson; Executive Board Members William Mason, Ralph H. Rasmussen, and Jess Gonzalez, and International Representatives Allen McNeil and Don Harris are members; and Research Director Ben Riskin serves in Washington as its executive secretary.

Towards such a program for all-out production to guarantee victory to smash Fascism—towards complete unity between labor, management, and government, the International Union of Mine, Mill & Smelter Workers, C. I. O., stands pledged and ready.

EXHIBIT 333

UNITED ELECTRICAL, RADIO & MACHINE WORKERS OF AMERICA,
December 11, 1941.

Mr. HUGH FULTON,
Chief Counsel, Truman Committee, Investigating the
National Defense Program,
Senate Office Building, Washington, D. C.

DEAR MR. FULTON: I regret that contrary to my expectations my doctor believes that I am not sufficiently recovered from my attack of the grippe to appear before the Truman Committee, Investigating the National Defense Program, today.

Consequently, I am enclosing copies of the statement I intended to make. These are in sufficient number to supply members of the Committee and the press. I would appreciate it if you will indicate my regrets for being unable to appear personally before the Committee to present this statement, and I should like to have this statement of the United Electrical, Radio & Machine Workers of America included in the record. If possible, I suggest it be inserted following the testimony of the representative of the Mine, Mill & Smelter Workers.

I am expecting hourly, to receive a supplementary memorandum on unused lead producing capacity, from our representatives in the Missouri area. When this arrives I shall send you a copy in the hope that it may be included in the record of these hearings as relevant to the entire question of the subject of nonferrous metals.

Yours sincerely,

RUSS NIXON.

A STATEMENT BY THE UNITED ELECTRICAL, RADIO & MACHINE WORKERS OF
AMERICA INTERNATIONAL UNION

(Submitted by Russ Nixon, Washington Representative of the Union)

I. SUMMARY

Defeat of the enemies of the United States depends in large measure on the quality and quantity of our arms.

Metals are thus of crucial importance to victory. One of these metals is copper.

In respect to copper, there are two main kinds of difficulty which function as obstacles to victory: (1) insufficient supplies due in part to artificial and unnecessary restrictions of output; (2) irrational distribution of such supplies as we have.

The Office of Production Management has issued public statements, press releases, announcements, etc., in unparalleled quantity, but the net result insofar as copper is concerned has been to increase the output of copper by substantially less than 10 percent, a dangerously small amount in view of the present requirements.

These shortcomings can be overcome, as they must be overcome, by (1) insistence on maximum production of copper, with government operating of mines for the duration as the alternative; (2) bonus prices where necessary for extra production, not all production; (3) institution of such labor conditions as will make full-shift operation of all mines a practical possibility; (4) the development of substitutes for copper on a broad scale.

As a long step toward attaining maximum production of copper, the Union fully endorses the plan for nonferrous metals of the Congress of Industrial Organizations as drawn up by the International Union of Mine, Mill and Smelter Workers.

This Union, the U. E., in view of the national crisis, has laid great stress in its own activities on the transformation of nondefense plants into defense plants.

These remedies are matters not only of policy but of execution of that policy.

The means at the disposal of the Senate and the House of Representatives are necessarily limited, inasmuch as neither body is primarily an executive body. Nevertheless there is much in the way of declaration of public policy and in legislation which the Congress can do. The greatest single thing that can be done is to make public the shortcomings, explain to the people the danger that lies in these shortcomings, and insist that the Executive Branch of the Government take speedy and effective steps to administer a correct policy in a correct and efficient way.

Eventually it will be found that maximum efficiency will not be achieved in these important fields until labor is admitted into full working partnership for the purpose of defending the nation, and for that purpose only. Labor does not make its cooperation in defense conditional upon such representation or, indeed, conditional upon anything. Labor does, however, point out that there is no such thing as "cooperation" in the abstract; to cooperate effectively and fully, there must be concrete, practical machinery for such cooperation.

I. THE PROBLEM

The very occasion of this hearing shows that the urgency of maximum supply of copper is widely understood.

The quality and quantity of our armaments are decisive in this war against the enemy. These armaments are made, in the main, of labor and of metals.

This Union—the United Electrical, Radio & Machine Workers of America (an affiliate of the Congress of Industrial Organizations)—inasmuch as at least 75 percent of the more than 350,000 men and women working under its collective bargaining agreements are engaged in defense work, is intimately concerned with the labor factor in this production of arms.

In addition, we have had to concern ourselves with the metal factor in this production. It is clear that shortages in metals function as material aids to the enemy.

One such metal is copper, the importance of which in defense material and machinery is obvious. For cartridge and shell cases alone, the 1942 need for copper even prior to the attack on us by Japan was estimated at nearly one-third of the estimated total annual supply.¹ Prior to the Declaration of War, the military and lend-lease requirements of copper were estimated, by the O. P. M., at 1,050,000 tons. The plans as of that time relied on Latin America for 600,000 tons. Essential civilian needs were put at 250,000 tons, leaving 350,000 tons to meet an estimated demand for 1,100,000 tons for nonessential civilian needs.² These estimates were made prior to the Declaration of War. It goes without saying that now the military and lend-lease requirements will be much greater, and that by reason of shipping disturbances there is a chance that the imported supplies will be, at least temporarily, reduced. It must be noted further that in

¹The Office of Production Management recently estimated the total annual supply at 1,650,000 tons of copper; the annual consumption of copper for cartridge and shell cases alone at 550,000 tons per year.

²The Wall Street Journal, December 8, p. 2.

past instances all estimates made public by the Office of Production Management have tended to be too small—as in the spectacular instances of aluminum and steel within the past year and a half.

What it comes to is one simple, hard fact: the Nation must have vastly more copper.

II. IRRATIONAL DISTRIBUTION OF AVAILABLE SUPPLIES

This over-all shortage in copper has spotlighted the secondary problem of how such supplies as we have are distributed. Unreasonable methods of distribution would not be so damaging were the total supply larger.

The Committee will be well aware that a labor organization—like the Committee itself—must necessarily judge the merits of the distributive practices of the past by the *results*, and not by a detailed criticism of this or that isolated order.

Labor is not represented in the executive agencies of defense. Labor does not know what factors induced the responsible persons to issue this or that order, take this or that step. Labor does not know the detailed, day-to-day history of this important governmental function—and, indeed, there is room to doubt that the Office of Production Management itself is as well informed as national necessity would require.

But the kind of results which the Nation has been getting can be dramatically illustrated by this:

On the day that the United States declared war against the Far Eastern partner of the Fascist Axis, the manufacturers of copper products in the United States were at that very moment waiting for long-overdue December allocation certificates, according to our information.

Under efficient operation, these certificates should have been completed at the very latest by two or three days prior to December 1. But on December 8 they had not been completed. In other words, when this Nation went into a war for its very existence, the outcome of which war depends very much on the metal, copper, the Office of Production Management had not yet gotten around to issuing allocation certificates for the month.³

The copper industry—quite rightly under the circumstances, but also quite illegally—then went ahead and allocated the copper without waiting any more for the required presentation of O. P. M. certificates.

But even if the certificates had been on time, as they were not either in December or in November,⁴ there remained the still more important question of *how* the supplies were distributed.

The system of distributing copper went through three main periods.

First, there was the so-called "priorities" system of the O. P. M.

Under this method, as the Committee knows, ratings determined simply the *order* in which copper requirements were met.

A manufacturer holding a certificate of rating would have no sure way of knowing when he would get the metal. He knew how far down his requisition stood, but he did not know when it would be reached, if ever.

As a result, planning of production—at best not an easy process, but one that is essential to defense—became virtually impossible.

The second, transition, period began when the Supplies, Priorities and Allocations Board (the "SPAB") was set up under the Chairmanship of Vice-President Wallace in an attempt to remedy the shortcomings of the "old" O. P. M. system.

It had become clear that the priorities system was not working.

SPAB therefore instituted allocations instead of priorities. Under allocations, the O. P. M. simply says who can have how much copper—and when, and for what purposes. So far as copper (and most other essentials), allocations now have entirely replaced the priorities method.

Although SPAB definitely improved what was a most disturbing breakdown in efficiency of O. P. M., SPAB was—and remains—a policy-making board.

The Committee understands, of course, that the right policy is meaningless until it is rightly and efficiently put into practice.

SPAB therefore encountered the difficulty of sound policies put into practice in unsound ways. The policies as declared of SPAB have been in our opinion the right policies.

SPAB began its work by calling for an all-embracing survey of the actual facts of the problem. SPAB tackled the problem of subcontracting and spreading

³ The Wall Street Journal, December 9, p. 12.

⁴ The Wall Street Journal, December 2, p. 10.

orders to firms other than the giant monopolies. SPAB announced the policy of maximum exploitation of sources of raw materials.

But the facts are, in face of these entirely correct policies, that no such survey has been made, that the necessary facts are not known, that subcontracting remains as a problem solved only to a small degree, and that we do not have maximum exploitation of raw materials.

Indeed, when Donald M. Nelson, Executive Director of SPAB, appeared on November 27 before a subcommittee of the House Appropriations Committee, and when Mr. Nelson was asked what had become of SPAB's "leave no stone unturned" policy of boosting production of metals, he was unable to reply and said he would have to turn the question over to SPAB to answer, if possible, at their next meeting.⁵

There have been quasi-official charges of favoritism in the distribution of metals. The Rural Electrification Administration's government-owned power projects have been denied copper, while private utilities have been able to get it for their lines. There have been widespread reports of bootlegging and violations of OPM allocations.

Bootlegging is almost an inevitable by-product of the inefficient means of distributing copper. Instead of driving and all but forcing the manufacturer to beg and even violate regulations in order to get enough copper to stay in business, the administrative agencies should rather work to put these manufacturers in a position to get copper for use in defense, rather than nonessential consumer, production.

III. SOME HARMFUL EFFECTS OF THESE SHORTCOMINGS

The dislocations resulting from these and many other irrational actions in the distribution of copper are, of course, one of the reasons for this hearing.

We are able to cite, out of our experience, a few examples. Almost any individual or agency which has had to tackle this problem, as have we, will be able to expand the list.

It must be borne in mind that the apologists for these inefficiencies in OPM itself tend—quite understandably—to represent each failure and each blunder as an unfortunate *exception* to a generally satisfactory performance.

But many other labor organizations, as well as many employers and employer organizations, will agree we believe with our view, based on some eight months of almost daily contact with the OPM, that the failures are the rule, and the successes are the exception.

Indeed, we know of only one example in our experience in which a consumer-goods industry was successfully transformed, with fair efficiency, into a munitions-producing industry.⁶

The Solar Manufacturing Company at Bayonne, N. J., required an amount of fabricated copper by November 15 in order to produce essential communications equipment. The Kennecott Copper Company (one of the three dominant firms—the others being Anaconda and Phelps Dodge with their subsidiaries and affiliates) promised delivery by December 1. On December 1, however, there was no delivery; instead, a new promise of delivery by December 15. As a result, the production of this equipment has been delayed.

A firm under contract to this Union, the Foster Wheeler Co., at Carteret, N. J., bid successfully on an order of red brass copper tubing for a defense housing project. We are informed that an internecine dispute arose between the Housing Authority and the Office of Production Management, which resulted in a refusal of the OPM to issue a priorities rating on this material. As a result, the company lost the order, and the tube mill went from 5 days of work per week to 2 days.

Recently the Navy needed 4,000,000 pounds of red brass tubing, to be delivered within three months' time. The only plant able to do this job within the time limit was the Foster Wheeler plant at Carteret, N. J.

This firm was able to bid on approximately 15 percent of the order; that is, the firm was ready to deliver 15 percent of the total within the three months. Although the Foster Wheeler bid was just as low as that of the Bridgeport Brass Company, the latter company bid on the entire order. And despite a policy,

⁵ The Wall Street Journal, November 28, p. 3.

⁶ The example is that of the washing-machine industry, many plants of which are now producing machine-gun mounts and other defense articles, thanks to a very intensive and detailed work on the problem by the industry, the OPM, and this Union. Although this example is outstanding, there remain so many difficulties as to make it merely an encouraging example of what could be done were there more efficient work on such problems.

announced September 5, of splitting up such large orders in order to speed up delivery, the order was warded in toto to the Bridgeport company.

The result of this is an unnecessary delay in the Navy's getting its material, and a lay-off of employees at Foster Wheeler.

In gist: when allocations are made in an irrational manner, plants are entirely disrupted. A manufacturer expecting to get a certain amount of copper suddenly learns that he cannot get it, after all.

As a result, machines which might better have been producing and working men and women who might better have been on the job are thrown into idleness. There is thus a loss to the Nation, a loss to the employer, and a loss to the employees.

This Union has had to handle scores of cases of dislocation and unemployment due to insufficient supply of copper.

Our efforts have been directed toward converting non-defense plants into plants producing defense goods, rather than seeking to maintain consumer goods production at existing levels. It is necessary to differentiate between what are commonly called consumer goods which do *not* serve a useful purpose in the defense of the United States and those other kinds of products which, although technically classified as "consumer" goods, are necessary to total defense of the country even though they are not munitions, as such.

IV. ARTIFICIAL RESTRICTIONS OF SUPPLY OF COPPER

As we noted earlier, the harmful effects of irrational distribution arise fundamentally from the fact of not enough copper.

This union's membership is concerned not with the production of copper but with the fabrication of copper and manufacture of machinery and articles of copper.

The union whose members mine and process copper ores will be in a position therefore, to present the Committee with a wider range of facts bearing on the shortage of copper itself.

We will call attention, however, to the fact that it is the artificial and unnecessary restriction of output which is of particular danger to the United States and its security.

By refusing to mine so-called high-cost ores, by ceasing to mine rich ores when the government-pegged price makes it profitable to mine poor ores, by interminable bargaining for special advantage before opening up new mines or reopening up new mines or reopening old ones, by deleterious labor conditions which make full-shift, efficient mining a human impossibility, by long delays, the owners and operators of the copper industry are throttling the supply of copper.

The public is continually misled by announcements of new plants, and new facilities. This gives the nation a false sense of security, inasmuch as the average citizen is under the impression that much is being done to expand copper production (and production of other metals). But the expansion is not, in fact, taking place fast enough or on large enough a scale. The recently announced Castle Dome-Miami Copper \$9,000,000 expansion, for example, will not be in operation until late in 1942—perhaps too late.⁷ Often, what are plants merely for the more *profitable* processing of ores are mistaken for improvements to *produce more* copper.

Also, when the Office of Price Administration permits a special "bonus" price for copper, the public tends to believe this is a bonus for extra production. The fact is too often that the higher "bonus" price permits the companies to mine their poor ores and to curtail mining of rich ores. Thus the total production of copper is not materially increased.

As of a recent date, the net practical result of the many months of OPM effort to increase copper production has been to raise production about 105,000 tons annually.⁸

The point requires no belaboring: the copper is there, the Nation must have the copper, and no obstacle can be permitted to stand in the way of getting that copper.

The Congress of Industrial Organizations and its President, Mr. Philip Murray, have prepared a plan for getting maximum production of nonferrous metals,

⁷ Wall Street Journal, November 22, p. 10.

⁸ Wall Street Journal, December 8, p. 2.

based on the wide experience of the union in this field, the International Union of Mine, Mill, and Smelter Workers.

Our Union fully indorses this plan as the way to boost copper production to the utmost.

V. WHAT CONGRESS CAN DO

The Senate of the United States is, of course, not an administrative body and is thus at a disadvantage in seeking to remedy shortcomings that arise in the main from *administrative* weaknesses.

The Senate can, of course, declare jointly with the House the policies of the Government in this crisis. But it cannot minutely supervise the putting of these policies into effect.

Undramatic as it may seem at first, a great service can be rendered to the nation if the Senate and this Committee will bring to the nation all the facts in this respect.

The Congress will find that 99 percent of the people of the country will energetically support any campaign to put the Office of Production Management and the defense of the Nation on an efficient basis.

The Congress would also contribute much to the nation by doing everything possible to bring about adequate and bona fide representation by labor in policy-making and policy-executive agencies and bodies of the Executive Branch.

Labor does not attach any conditions whatsoever to its fullest cooperation in the war effort.

Labor does not say, we will cooperate *if*—we say we will cooperate, regardless of conditions and regardless of whether a full partnership is accorded to us or not.

We do point out, however, that cooperation cannot take place in a vacuum.

Cooperation has to be concrete and specific. Labor can cooperate most effectively only in *specific* ways, on *specific* problems, with *specific* agencies or bodies.

This is why labor urges that labor be accorded a place in the partnership of government, employers, and employees for the single purpose of defending our country.

In this partnership, labor does not seek to assume the functions of either government or employers, nor does labor expect government or employers to take over our functions.

We desire a partnership in which each partner contributes everything he can toward the single objective of destroying, once and for all, the Fascist Powers which are the enemies of the United States.

Even the Conservative British Government soon had to accord representation to labor—not as a *concession*, but as a *means of greatly increasing the effectiveness of the war effort*.

Every week during which labor remains a willing, but excluded, participant in this national task, is a week during which the nation is being defended less well than it could be.

The great Unions of the United States want 100-percent effectiveness in national defense. This degree of effectiveness cannot be achieved until labor is an active part of policy making and policy effectuating.

The way to cure the past defects of the defense program and to guarantee against any further break-downs, blunders, or scandals, is to admit the organized labor movement into full partnership in the national effort.

EXHIBIT No. 334

[From the Congressional Record, September 4, 1941]

Mr. JOHNSON of Colorado. Mr. President, I thank the Senator from Georgia and the Senator from Connecticut.

It must be apparent to everyone who has given the subject much thought that, so far as taxation is concerned, the mining industry must be treated on a different basis than other industries. In an effort to establish the principle of permitting a credit based upon the normal profit per unit of mine production, it was suggested by me in committee that the drafting experts should be instructed to prepare an amendment to the bill which would prevent the excess-profits tax from being unfairly applied to the normal profits of mines.

It was suggested that the draft should be based upon the following principles:

First. Where the normal profit per unit of production is determinable on the basis of past experience, the excess-profits credit should include such normal profit per unit on the production of the taxable year.

Second. In the case of new corporations or mines not operating on a commercially profitable basis during the base period, a normal profit should be determined as if the mine had been operated in a normal manner during the base-period years.

Third. The foregoing provisions should be limited solely to mining profits. No increased allowance should be made with respect to profits from other than the mining operations. The normal profit from mining operations should be added only to such credit for base-period earnings or invested capital as is properly allocable to operations or investments other than mining.

Such an amendment was offered by me in the committee and was referred to the Treasury Department. The Treasury Department said the matter was very technical, and would require considerable study; that they thought perhaps it could be brought up later, at a time when technical matters pertaining to the administration of the taxation problem would be before the Congress; and so action was postponed by the Finance Committee on the amendment I offered.

I ask unanimous consent to insert in the Record at this point a letter from Mr. John L. Sullivan, Assistant Secretary of the Treasury, with respect to this matter.

The PRESIDING OFFICER. Without objection, it is so ordered.

The letter is as follows:

TREASURY DEPARTMENT,
Washington, September 2, 1941.

Hon. EDWIN C. JOHNSON,

United States Senate, Washington, D. C.

MY DEAR SENATOR: In accordance with the action adopted by the Senate Finance Committee, I have requested that a study be made in this Department of the amendment that you submitted to H. R. 5417 with reference to a credit based on the normal profit per unit of mining production. If, as a result of the study, any amendment of this character is deemed advisable, a provision will be drafted in time for insertion in the next revenue bill.

Sincerely,

JOHN L. SULLIVAN,
Assistant Secretary of the Treasury.

MR. JOHNSON of Colorado. My amendment proposes to amend section 713 by adding a new subsection reading as follows:

"(h) Corporations engaged in mining—

"(1) A corporation engaged in the mining of natural deposits shall be entitled under this section (with respect to its mining operations) to an excess-profits credit equal to the normal profit per unit of production for its entire production during the taxable year, in addition to such other excess-profits credit as may be allowable under this subchapter which is properly allocable to its operations other than mining.

"(A) In the event that the taxpayer was actually in existence at the beginning of its base period and was, during all or a part of such base period, engaged, on a commercially profitable basis, in mining operations similar, except as to the volume of production, to those carried on during the taxable year, then the taxpayer's normal profit per unit of production during the base period (excluding the year or years in which there was a deficit in excess-profits net income) shall constitute the taxpayer's normal profit per unit of production for the purposes of this subsection. In computing such normal profit per unit, the adjustments provided by section 711 (b), so far as applicable, shall be made.

"(B) If the taxpayer was not in existence at the beginning of its base period, or if it was not, during all or a part of such base period, engaged, on a commercially profitable basis, in mining operations similar, except as to volume of production, to those carried on during the taxable year, then the normal profit per unit of production shall consist of the base period profit per unit of production which the taxpayer would have realized if it had been so engaged during such base period. Such normal profit per unit shall be computed by assuming that the taxpayer had sold in each year of the base period the number of units which it could have produced and sold, with due regard to the average prices and costs of operation prevailing in each base period year, except that the

number of units assumed in such computation for any base period year shall not exceed the number of units sold in the taxable year.

"(2) The term 'base period' means, for the purposes of this subsection, the base period as elsewhere defined in this subchapter, but if the base period of a taxpayer is not elsewhere so defined, in such case the term 'base period' means the calendar years 1936 to 1939, inclusive.

"(3) This subsection shall not apply if the excess profits credit computed under section 713, without the application of this section, or under section 714, exceeds the amount of the credit computed under this subsection."

The reasons back of this amendment are, briefly stated, as follows:

First. Mining companies as a rule did not have sufficient base-period income to serve as a sufficient credit for excess-profits taxes.

Second. The prices of metals have been stabilized at a figure very little, if any, above the average prices over a period of 40 years. The industry is cooperating willingly in keeping prices of metals down during the emergency. There is no profiteering in the mining industry in the West.

Third. The defense authorities are urging increased production of metals in order to meet requirements for weapons, plant expansions, and civilian demands.

The result of this combination is that if the mining companies increase production by taking out more units during the emergency than over the base period, they will receive but little above the base period price per unit, and yet the profits, because of increased production, will be considerably greater. The mining industry must use up its capital in its production of units of metals taken out under these conditions, and the capital can never be replaced. It differs from the ordinary industrial enterprise in this respect. At the end of the emergency the mine operator, because of his willingness to comply with the request of the Government for increased production, may see his mine exhausted.

Accordingly, I have urged an amendment to H. R. 5417 which would permit a credit based upon the normal profit per unit of mine production. That is, increased profits would not be subject to excess-profits taxes unless there were an increased price per unit of production. The following example will demonstrate what I am asking for:

If the normal production of a mine was 10,000 tons of ore for a normal profit of \$2 per ton the mine would have a total normal profit of \$20,000. If because of the need for metals for defense purposes production were stepped up to 15,000 tons at the same rate of profit—namely, \$2 per ton—the mining company would have a profit of \$30,000. Under the proposed amendment, it would be recognized that this represents only a normal profit on the units produced and the \$30,000 would not be subject to excess-profits tax. If on the other hand the profit realized on the 15,000 tons were to be \$3 per ton or \$45,000, the increased profit of \$1 per ton, or \$15,000, would be taxed as excess profits.

The Treasury Department has promised that this very just demand upon the part of the mining industry will receive study and that if deemed advisable, the amendment will be drafted in time for insertion in the next revenue bill. I wish it understood that I shall urge this amendment both as a matter of justice to an industry which is essential to our national defense and as a means of increasing the production which is so sorely needed during this emergency.

EXHIBIT No. 335

Appendix 1.—Copper use for all purposes by the electric utility companies, year 1941

[Short tons]

Item	Maintenance, repair, and replacements	Ordinary service extensions	Major construction projects	Total for all purposes
Wires and Cables.....	40,800	38,200	20,400	99,400
Bus Bars, Tubing, Fabricated or other Shapes.....	3,100	800	3,000	6,900
Calculated Copper Content in:				
(a) Brass, admiralty metal and other alloy uses in tubes, shapes, etc.....	1,100	0	2,300	3,400
(b) Distribution Transformer Windings.....	3,000	3,600	1,000	7,600
(c) Power Transformer Windings.....	3,500	0	6,100	9,600
(d) Generators and Other Rotating Equipment.....	400	0	1,300	1,700
(e) Meters, relays, instruments, etc.....	small	small	small	small
Total Calculated Copper Content Items.....	8,000	3,600	10,700	22,300
Grand total.....	51,900	42,600	34,100	128,600

“EXHIBIT No. 336” appears in full in the text on p. 3869

EXHIBIT No. 337

STATE OF NEW YORK.

City of New York, County of New York, ss:

BENJAMIN S. DOWD, being first duly sworn, deposes and says that he is the President of EMPIRE ORDNANCE CORPORATION, a Delaware corporation with offices at 521 Fifth Avenue, Borough of Manhattan, City of New York.

That your deponent's attention has been directed to the fact that various statements and claims have been incorporated in several newspaper articles wherein it is stated that one THOMAS CORCORAN draws an annual salary as an officer of EMPIRE ORDNANCE CORPORATION.

That your deponent specifically denies that the said THOMAS CORCORAN is either employed, or holds office in EMPIRE ORDNANCE CORPORATION, or receives any salary from said corporation, and further categorically denies that the said THOMAS CORCORAN is employed or holds office in any corporation affiliated with said EMPIRE ORDNANCE CORPORATION or receives any salary from any of said corporations, and that any statement that said THOMAS CORCORAN is so employed, or holds such office, or receives any salary, is untrue.

BENJAMIN S. DOWD. [LS]

Sworn to before me, this 15th day of December 1941.

[SEAL]

MARGOT BATTERSBY,
Notary Public, Kings County,
Kings Co. Clk's No. 746, Reg. No. 3286,
N. Y. Co. Clk's No. 749, Reg. No. 3B481.

Commission expires March 30, 1943.

"EXHIBIT No. 338" appears in full in the text on p. 3876

EXHIBIT No. 339

COMMISSIONER H. L. VICKERY

DAVID E. SCOLL

MARCH 28, 1941.

MEMORANDUM OF CONFERENCE ON SAVANNAH SHIPYARDS, INC.

A conference took place in Commissioner Vickery's office, March 27, 1941, at 4:00 p. m., at which the following were present: Commissioner Vickery, Mr. J. E. Schmeltzer, Mr. Frank Cohen, Mr. James French, Mr. Crowley, Captain Court, and Mr. David E. Scoll.

Mr. Slacks entered after the conference began.

Mr. Crowley handed me a letter addressed to Admiral Land which he stated had been prepared in response to my request over the telephone Wednesday morning for more information concerning the people that they planned to hire for the shipbuilding operation. I gave the letter to the Commissioner, who, after reading it, asked Mr. Cohen what he wanted us to do. From that point on considerable discussion took place, the gist of which was that the Savannah Port Authority people wanted some assurance from the Maritime Commission that the personnel which Savannah Shipyards, Inc., planned to hire is satisfactory before the Port Authority will go ahead with the deal they have with Mr. Cohen relative to the lease of land and issuance of bonds to pay for the construction of facilities. The details of this transaction are set forth in the memorandum accompanying Mr. French's letter to the Chairman dated March 20, 1941.

Mr. Cohen stated that someone had told the Port Authority in Savannah that we are not satisfied with their proposed personnel and that the Savannah Port Authority were, therefore, holding back. During the course of the conversation, I asked Mr. Cohen point blank whether, if we had no objection to the personnel, Savannah Shipyards, Inc., was prepared to go ahead and build their facilities without any assurance of a contract from us. Commissioner Vickery added that we might indicate that we are not opposed to the construction of facilities by the Savannah outfit. Mr. Cohen replied that he was certain that if they built a shipyard they could get ships to build because more ships must be built by somebody. Commissioner Vickery agreed that if the war continued, ships would have to be built and that obviously if there was a shipyard at Savannah, manned by competent personnel, we would pass work to them. Commissioner Vickery emphasized, however, that his policy up to now has been to expand existing facilities so far as possible for the construction of additional ships and that he does not want to construct additional yards, although he has considered Savannah as a possible place for an additional yard if one is to be built. Commissioner Vickery also pointed out that our policy has been to distinguish between the Emergency Ship Program and the regular program; that we are not putting any of the regular ships in the emergency yards, and do not intend to do so. During the course of the conversation Mr. Cohen indicated that he would take contracts on a fixed-price basis and preferred not to work on a cost-plus-fee basis. Captain Court, on the other hand, stated that in his opinion the cost-plus basis was the safest, but that he was only the hired man and Mr. Cohen could decide for himself what kind of contracts he wanted to make.

Captain Court produced a sketch of a shipyard for ten ways, explaining that he thought six ways would be sufficient. He also explained that the people they proposed to use for shipbuilding brains were men now working in existing yards who, because of seniority, could not rise any higher and were, therefore, good prospects for a new organization. Mr. Cohen produced illustrated circulars showing the products manufactured by the Vulcan Iron Works, stating that unless it interfered with our purchasing system, he would, if he received a contract, like to secure his machinery and other items from the Vulcan Iron Works and other companies which he controls.

Finally the conversation boiled down to the point that Mr. Cohen wanted us to indicate to the Savannah Port Authority that we are not opposed to the proposed personnel for the new yard. Mr. Butler, of the Savannah Port Au-

thority, was sent for and entered the conference shortly thereafter in the company of Mr. Charles West. Mr. Butler stated that they were anxious to protect both themselves and Mr. Cohen in this venture, and that he wanted to be able to tell the meeting of businessmen which would take place in Savannah today (Friday, the 28th) that the Commission is satisfied with the general character of the proposed set-up. Commissioner Vickery then stated to Mr. Butler that as far as he could tell the proposals made were feasible and that we had no objection to the Savannah Shipyards going ahead with arrangements and construction of a shipyard, although we are in no position to offer any assurance of a contract at this time. Mr. Butler stated that of course the Savannah Port Authority did not want to authorize the construction of a ghost town, whereupon it was generally agreed in discussion that in view of the present national emergency it was unlikely that any shipyard available in the near future would be a ghost town. Commissioner Vickery then mentioned the fact that there was going to be a great deal of repair work for the British, and that this was just as profitable as shipbuilding.

The meeting closed with a general understanding that the Savannah Port people and Mr. Cohen would go ahead with plans without any assurance of a contract from us.

DAVID E. SCOLL.

EXHIBIT 340

BRITISH PURCHASING COMMISSION
TANK AND TRANSPORT DIVISION
1333 F Street NW.

30 DECEMBER, 1940.

The VIMALERT COMPANY, LIMITED,
807 Garfield Avenue, Jersey City, New Jersey.

(Attention of Mr. Bernard J. Flynn.)

DEAR SIR: Further to your letter of December 18th, we confirm that we have received authority to place an order for 1,000 Liberty Engines subject to the following:

(1) You agree to our accountants examining your costs, and that the price of the engines shall be taken as your cost plus 10% for profit, with a maximum of \$8,000.

(2) We are to obtain sanction for the necessary P. N. R. In addition, it is proposed to defer signing the formal contract for a little while.

We understand that the new drawings which are being sent may allow you to reduce the cost.

We should be obliged if you would proceed with the order for 1,000 engines on the above -----, with an option in our favour for a similar quantity.

Yours truly,

G. S. MURRAY.

EXHIBIT No. 341

THE VIMALERT COMPANY, LTD.
807 Garfield Avenue
JERSEY CITY, N. J., U. S. A.

MAY 15, 1941.

Re: British Purchasing Commission, Lend-Lease Requisitions #195, 881. Vimalert Company, Ltd.

Lieut. Colonel W. W. WARNER,

Chief of the Artillery Industrial Service,

Ordnance Department, War Department,

Washington, D. C.

DEAR COLONEL WARNER: Mr. Flynn has reported to me his attempts to reconcile difficulties with you concerning the price at which Vimalert Company, Ltd., is prepared to fill the requisitions numbered above.

This letter is an attempt to find some ground on which Vimalert Company, Ltd., can both meet your very legitimate and commendable concern that the United States should not be profiteered against, and at the same time be fair to itself. The proposal made in this letter has been discussed with officers of the British Purchasing Commission and is, I understand, to be acceptable to them.

These requisitions are for the purchase of certain existing machined component parts of Liberty Engines which we have now on hand. These parts are interchangeable with the parts of Nuffield Engines now being used in British tanks. All items of parts in the requisitions have been approved as interchangeable with the parts of Nuffield Engines by the engineering staff of the British Purchasing Commission.

Substantial quantities of these parts have already been inspected and certified by such engineers so that there is no question of either their quality or their immediate deliverability.

The British particularly desire these parts because they are immediately available, *now*, without any of the risks or delays of manufacture. Substantially this is the only supply of such parts so available *now*; replacement will admittedly take from 6 to 18 months for manufacture, varying with particular parts.

Disregarding previous negotiations, Vimalert makes you the following proposition:

(1) Vimalert and you will agree that the price of these parts shall be their replacement value as determined by actual inquiry into the prices at which equal quantities of identical parts can be contracted for in the present United States market, for delivery within a reasonable time.

(2) That determination shall be made by any fair third party arbitrator either you and Vimalert can agree on, or the Undersecretary of War shall appoint.

(3) All prices, as so determined, shall be substituted in our present offer, in lieu of the prices therein quoted.

This means replacement price for manufacture and delivery within a reasonable period, as determined by a competent and impartial umpire. We shall not ask for something to which in fairness I should think we would be entitled—a premium for the advantage that the parts for which we ask such replacement value are available not within a reasonable time, but *now*.

There is a very special reason why price of replacement is the only fair measure of price for the component parts the British seek to purchase from us.

The British are ordering only *particular items* out of the reasonably complete sets of engine parts we have on hand. To give the British only the particular parts they require—i. e., only the parts which are interchangeable with the particular Nuffield adaptation of the Liberty Motor—requires that we break up much larger interrelated sets of parts which we have on hand. These larger sets of parts have an important use, as sets, in a type of engine used by the Coast Guard, among others. In that engine are used all the particular parts which the British are requisitioning, plus a very large portion of the remainder of the sets which would be left on hand as “orphans” after the British requisitions.

The net result of filling the British order will therefore be to “break sets,” and to leave Vimalert with corresponding amounts of “orphan” parts. The value of such “orphan” parts will be substantially reduced unless we are prepared and able to fill out the sets by replacement of the parts which have been sold to the British.

Replacement price is the only fair measure of price for any immediately available commodity. But we think it is even less than a fair measure of value when only a portion of a set is sold, leaving the rest of the broken set with only an “orphan” value pending replacement. We cannot feel that there is even a shadow of profiteering when we offer to let the British take their own choice out of our stock at present cost of replacement.

In our previous negotiations as to the price of such parts, you first proposed a method of computation which in the state of our records is practically impossible, i. e., historical cost of these parts, plus carrying charges, plus a percentage of profit.

That is, if we have understood you correctly, you have asked us to do a cost accounting job to determine what is has cost Vimalert to acquire each of these parts. That acquisition has occurred over a long period of years. We have frankly told you we do not know with any accuracy what the costs have been. An attempt to compute them would be costly and of no value.

Price in all practical commercial relationships depends upon the intrinsic value of the goods, not upon the personal history of a particular seller.

Suppose, for instance, that we could determine costs. Suppose two months ago we had sold half of these parts to another supply house at a price far in excess of cost and then both ourselves and that purchaser offered you similar parts for sale. Under your theory of historical cost-plus, the purchaser from us would be entitled to a much higher price from you for his half of the parts than we would be entitled for our half of exactly the same parts we had kept on hand.

Because of our inability to supply historical costs, you have suggested that prices on these requisitions might be determined by the unit inventory prices at which these parts are carried in an Army Ordnance "Uniform Nomenclature of Tank Parts," dated 1928; 1928 was 12 years ago, in a different labor market, in a different materials market, in a completely different replacement market.

We understand (possibly erroneously) that the purpose of this catalog was not to quote prices at which particular items of these parts could then actually be purchased in the commercial market, but merely to establish inventory value of supplies the Army had on hand without regard for the overhead or engineering costs of a going commercial business. But whatever the value of these inventory catalog prices for other purposes, certainly even in 1928 they would not fairly reflect the position in which a seller would be left with the parts on hand remaining from the complete sets which we are being asked to break up to sell parts from these sets to the British.

On every ground, therefore, both of practicability and of fairness, we submit that the fair price for these parts covered by the British requisitions is their fair intrinsic market value—which is in turn the cost of replacing the number and the quality of these parts at the present time in the present conditions of labor and materials markets.

If the principles set forth in this letter are acceptable to you, please send us a letter to that effect and we will immediately get in touch with you about a proper person to make the necessary inquiries and determinations.

Very truly yours,

VIMALERT COMPANY, LTD.,
By ROBERT CUSE, *President*.

c. c. The British Purchasing Commission.

EXHIBIT No. 342

THE VIMALERT COMPANY, LTD.

807 Garfield Avenue

JERSEY CITY, NEW JERSEY

JULY 1, 1941.

HON. DOUGLAS C. MACKEACHIE,

*Deputy Director of Purchases, Office of Production Management,
Washington, D. C.*

DEAR SIR: This will acknowledge your letter of June 19th, concerning the purchase from this corporation under British Lease-Lend requisitions of certain items out of substantially complete sets of parts for Liberty engines which this corporation has on hand.

We have taken considerable time before answering your letter because any suggestion from an officer of the United States in the present emergency will always have from us the utmost consideration no matter what difficulties it proposes.

Since your letter does not mention the proposal embodied in our letter of May 15, 1941, to Lieutenant Colonel Warner, of the Ordnance Department, we enclose a copy herewith.

To recapitulate the situation a little for the record:

This matter concerns not goods which are yet to be manufactured but goods which we now have on hand. We are not speculators in these parts, who bought them yesterday to turn over tomorrow. We have accumulated them over a period of many years as the raw materials for a bread and butter engineering and fabricating business in which we rebuild, remodel, and redesign these parts into engines of the general Liberty type.

Our stock consists of a large number of practically complete sets of parts for the original Liberty engine. The British desire to acquire only such items of our stocks as are interchangeable with the parts used in the "Nuffield Liberty" engines which they use in certain of their tanks. If we make the sale, the remaining parts will remain on our hands. Since they would be entirely inadequate for building a complete engine of any kind, their value would naturally be greatly depreciated.

The prices we originally quoted the British on the specific parts they desired took this factor into account. The representatives of the British Purchasing Commission expressed themselves as satisfied with the prices then quoted. However, after the passage of the Lend-Lease Act, this offer was submitted to the appropriate officers of the Ordnance Bureau of the War Department for approval. Those officers felt that the prices quoted should be "lowered" to some undefined degree.

After very careful consideration, the officers of our company decided that they would forego any claim on account of the "orphaning" of the parts of their sets which do not comply with the design used by the British, and that they would accept present replacement cost for these items, such replacement cost to be determined by an impartial arbitrator. That, in effect, is the offer contained in our letter to Lieutenant Colonel Warner, enclosed herewith.

As we have said, the British expressed themselves as feeling that the original prices proposed by us to them were fair. They thought more than fair the concessions embodied in our May 15 compromise proposal to the War Department for an arbitrated replacement price. Mr. G. S. Murray, of the British Purchasing Commission, with whom I checked over the telephone this afternoon, stated that he still considers the proposal of May 15th more than fair. We have understood, without having any official commitment, that the Ordnance Department considered our May 15th offer fair.

My own oldest son is a Pilot Officer in the Royal Air Force. For that reason, if for no other, personally I want England to win and win quickly. I know possibly better than even you how much the British need the Liberty engine parts we have on hand.

But this corporation has not only owners. It has creditors, and heavy costs of abortive expansion incurred in standing by and preparing for commitments with the British Purchasing Commission over a long period of now nearly six months, which commitments the British have been unable to keep.

The officers of this corporation have decided to accept this shrunken transaction, if consummated, as an accord and satisfaction for the larger commitment of the British Purchasing Commission embodied in the letter of December 30th, a copy of which accompanies this letter.

We do not refer to this British contract because we think it is any part of the duty of the United States to relieve the British Purchasing Commission from any liability. We refer to it simply because we feel that it is to be taken into account in considering whether we should, as a matter of good will toward the British, make price concessions below the commercial value of the merchandise we have to sell.

For all these reasons, of losses of time and money and effort incurred to date, our directors feel that they ought not be called upon, in addition, to take any loss for their goods than a price which is fair and reasonable and just according to universal law and commercial practice.

For that reason we feel that the best we can do is to meet you half way with a further compromise.

As such compromise we will adopt from your proposal of June 19th your suggestion that your cost accounting expert, Dr. Saunders, be accepted as the independent arbitrator referred to in our proposal of May 15th to the Ordnance Department.

With that concession to you of our acceptance of your own Dr. Saunders as the arbitrator, we offer to you and ask you to accept our proposal to the Ordnance Department of May 15th as thus modified.

As restated, that proposal, so modified, would be as follows:

1. The price of these parts shall be their replacement value as determined by actual inquiry into the prices at which equal quantities of identical parts can presently be contracted for in the present United States market, for delivery within a reasonable time.

As a concession we shall not ask for something to which in fairness I should think we would be entitled—a premium for the advantage that the parts for which we ask such replacement value are available, not *after* a reasonable time for manufacture, but *now*.

2. That determination of such replacement value shall be made by your Dr. Saunders: we shall ask merely to detail our Chief Engineer to aid him, without interfering in any way with his judgment.

3. All prices, as so determined, shall be substituted in lieu of the prices quoted in the original requisition, and shall be utilized for determining price in respect of future requisitions of the British for Liberty engine parts.

I think there is no disagreement that so far as time is concerned, a determination of price of replacement could be arrived at so quickly that delivery could be made against payment of a price so determined in a very few days. Present market or replacement value is easy to find on these parts because both the British Purchasing Commission and the American Ordnance Department (as well as ourselves) have been pricing contracts in the present market for parts like this over at least six months. Such data is all available.

Therefore, there is no real time to be saved by requiring us to deliver our parts ahead of the determination of price.

We feel sure that in the understandable pressure upon you to get things done you have not felt completely how harsh the literal terms of your proposal of June 19th sound to us, in the particular circumstances of this transaction as we know them.

That proposal of June 19th asks us for delivery of material not only before it is paid for, but before you will even let us know what we are to be paid for it or on what basis is to be determined what we will be paid for it.

In the light of the delays in this transaction before and after the Lease-lend Act, we do not think that even the administrative pressure upon you of getting things done makes it fair for you to press us with a proposal: "The terms on which we will buy are that you are first to deliver the goods we want and we will arrange that other people will talk with you afterwards about what pay you ought to get."

This time element becomes important in light of the second part of your proposal to the effect that replacement price (easily determinable) shall not be agreed upon as the basis of the arbitration as to price.

If, as your representatives have suggested orally, you were going to want introduced in this arbitration not merely evidence of present day market price or replacement price, but also evidence of the historical cost-accounting values of each item in this transaction, you would put upon us—if we are to do ourselves justice—an enormous burden of time-consuming and expensive work.

These parts, as we have said, have been acquired over twenty years by an individually owned and individually managed experimental business for the purpose of redesigning, remodeling, repairing, and rebuilding complete engines. They have been acquired as raw materials for these complicated purposes. Some parts have been acquired and paid for merely as a way of acquiring other parts; some parts have been destroyed or depreciated in value in order to make other parts accessible or to experiment with new designs; in this very transaction some parts will remain at "orphaned" values after sets are broken to furnish the British only the particular items they want.

Carrying the burden of proof of the amounts of engineering and administrative overhead of time, money, and risk properly chargeable to the "cost" of each of these items under modern cost accounting methods would be a tremendous task in the simple state of the records of this individually owned and managed business. The cost of the accounting procedures and other proofs might be almost as much as the value of the goods.

To go into an arbitration which will consider anything but easily determinable present valuation will be the equivalent of going into a cost-accounting history since the last World War. We will get into the costs of time and money of a lawsuit or an Interstate Commerce Commission rate hearing.

To ask us to go into such a time consuming method of determining value, *after* you have taken our stock in trade away without paying for it, is to put us, practically, in a most unfair position.

Somehow, such an arbitration will inevitably work out in an unscientific "compromise" to the disadvantage of the nongovernment party who cannot, like the government, afford to wait indefinitely. The unfairness of putting us in that position is completely unnecessary because the easily available replacement price

can be determined before the British are even ready to accept delivery against its payment.

A second reason why we think your proposal of June 19th is unintentionally not fair, or reasonable, or just, is its attitude toward the determination of price. Your proposal refuses to agree upon a principle for arbitrating price.

Frankly, you merely ask us to take pot luck—in whatever price estimable arbitrators known to you but not to us, decide is morally proper for the particular human beings who constitute Vimalert.

We are asking for an agreement on an *objective*, not a *subjective* price, determined by principles of law. No lawyer and no court in the world would say that a "fair" or "reasonable" or "just" price for the present purchase of a present article is anything other than its present value as determined in the present market for present duplication (duplication within a reasonable time).

We have heard suggestions from time to time that we are not being patriotic in not disclosing the prices at which we accumulated these parts over the course of twenty years as part of a business as detailed above.

The first reason for such nondisclosure, as we stated in our letter to Colonel Warner and have restated to you, is that we do not know such costs accurately and it will cost us much time and money to determine them.

The second reason is that, as a matter of law, what these parts cost has nothing to do with the case.

In a system of private commercial enterprise, which this war is supposedly being fought to preserve, the worth of goods is determined by their own intrinsic value and not by what A paid for them twenty years ago, or by what B paid for them fifteen years ago, or by an arbitrary moral judgment that A gets a good price because he is a good fellow and B gets a bad price because he is a bad fellow.

If you were buying crude oil for the British would you pay more than the market price to a producer who had struck a lot of dry holes and insist on getting it for less than market from the producer who had good luck with his drilling?

We see no reason why past history should make any difference in present price, why you should pay A one price for the same article because of his past history and B with a different history a different price for the same article.

Even if we were speculators in these commodities we would not feel that the rule of law should be any different. But the fact is, as we have demonstrated earlier, we are not speculators.

I am very sorry to see delays continue in these negotiations. I have told you of my personal interest in getting any kind of supplies to Britain that Britain needs.

But I think that in fairness to everyone connected with Vimalert, its owners, its creditors, and its employees, all of them taking losses on this order for nearly six months, that we are going the limit of what can be expected of us when we offer to deliver these parts of sets against the payment of what it would cost us to replace them in their sets, as determined by your own cost accounting expert, Dr. Saunders.

We are confident that on the record, as it has been made to date in the letters between you and us, the Ordnance Department, and the British Purchasing Commission, no one can say that our insistence on being paid what present goods are presently worth, as determined by your own agent, constitutes an unfair or an unpatriotic or a profiteering attitude. Nor on that record can anyone say that it is "fair," "reasonable," or "just" on your part to ask us merely to turn parts over to you and take pot luck later on anything we may get for them.

We have been perfectly willing to go into any arbitration provided some satisfactory *principle* were established on which the arbitrator would determine the price. We have not been able to conceive of any fair principle for such an arbitration but replacement cost. If your lawyers can show us that the law of New Jersey fixes any more favorable standard for determining the value of these articles, you will find us ready to accept those principles. If you or your counsel wish to suggest any other principle on which the price can be fairly determined, we shall listen to it with an open mind.

In summary, as detailed above, we will compromise between our letter of May 15th and your letter of June 19th.

We will accept replacement cost for these parts and we will let you, through your Dr. Saunders, determine what that replacement cost is.

Very truly yours,

VIMALERT COMPANY, LTD.,
By BERNARD J. FLYNN, *Vice President*.

EXHIBIT No. 343

1016 INVESTMENT BUILDING,
Washington, D. C., July 8, 1941.

Major EDWIN CLARK,
Defense Aid Division, Office of Under Secretary of War,

War Department, Washington, D. C.

DEAR MAJOR: In accordance with your telephonic request of today, I have obtained from Mr. Flynn of the Vimalert Company and am forwarding to you herewith the correspondence which constitutes the offers and counter-offers for the Liberty engine parts now owned by the Vimalert Company.

As you will note, the last offer of the Vimalert Company to the O. P. M. says in effect this:

"We will sell these parts to you and deliver them to you now against payment of whatever it would cost you to let a contract with anybody else to manufacture these parts for delivery within a reasonable time—and we will trust you (the U. S.) to determine and fix for yourselves what that cost would be."

In my opinion that would be fair and just proposal even if the British were purchasing complete sets of the parts. In view of the fact that they are only taking selected items of Vimalert's sets, I think that it is somewhat more than fair.

For personal reasons, I am very glad that the Vimalert Company finally decided to make its offer in this form. I have no desire to participate in any way in "war contracts" with our government. I am acutely aware of my position in Washington, and its relation to the position of my friends. I have, therefore, been careful never to solicit on behalf of any client any contract to sell material of any kind to the U. S. Government.

This Vimalert representation is an inheritance of the situation which resulted from the taking over of British Purchasing Commission commitments by the U. S. Lease-Lend agencies.

I was first called into the Vimalert affair by a personal friend who had interests in the company to draft the formal contract for 1,000 engines of the Nuffield design after Vimalert had received from the B. P. C. a letter of intent, a copy of which is enclosed herewith. That was early in January, long before the Lease-Lend Bill and long before any difficulties about price on completed engines arose between Vimalert and the British. Accordingly, I felt entirely free to represent my friend vis a vis the British.

As the American Treasury shut off British funds pending the Lease-Lend bills, and financing of the order had to be arranged elsewhere, I soon found myself, at the solicitation of the British as well as my client, representing the whole "situation," trying to hold it together.

This was the difficult, conflicting position in which I found myself when our own government was brought into the situation by reason of the enactment of the Lease-Lend statute.

Under all the circumstances, I have felt obligated to go ahead and see the transaction through. Nevertheless, I have been careful to see that in all quarters the record in the case is such that no one can ever make any justifiable criticism or intimation that my conflicting loyalties and governmental acquaintance have resulted in a sale at price that is not completely and absolutely sound and justifiable.

That is why, as I told you over the telephone, I have thought it essential for the protection of everybody concerned that this price should be arrived at not by trading and bargaining with figures unrelated to any principle, but by the rigid application of some fair legal principle of value. I think it is embarrassing to all concerned to have the matter left where later on someone will say that the price was "traded out" on a discretionary basis.

Therefore, the proposal has been made that the price to be paid for these parts for present delivery should be the price which you, as a lawyer, admitted this morning would be the measure of damages on breach of contract or on commandeering—a fair market value which in lieu of other goods on the market is fair replacement cost—as determined by the O. P. M.'s expert, Dr. Saunders.

Nothing could be more fair, just or reasonable than that and I think that no record shows a more just, fair, and reasonable attitude of a seller than the record Vimalert Company makes on these letters which are enclosed herewith.

The Vimalert Company purchased these parts a long time ago—fifteen or twenty years ago—when prices were lower and in many cases perhaps when Liberty engines were more or less passe. The enclosed copy of the letter to the O. P. M. sets forth the complications of that manner and time of acquisition.

As you and I agreed over the telephone, there is a statute of limitations on "speculation"—and you don't hold goods for speculation over twenty years. As this letter to O. P. M. shows, it would be difficult in the extreme to establish and prove Vimalert's overall "costs" including interest on its investments, cost of storage, deterioration, etc., etc.

However, even if we should assume that those costs are substantially less than the amounts for which the goods could be replaced, it would not follow at all that Vimalert could properly be charged with profiteering if it asks current market value at the time of sale.

If there had been no demand for Liberty engines and Vimalert's purchases of parts had proved unfortunate, it is quite certain that neither the British nor American governments nor anybody else would have absorbed that company's losses. If, on the other hand, there is a demand for Liberty engines or their parts, neither the government nor anybody else is fairly entitled to claim any share in the Vimalert Company's good fortune in having made a wise twenty-year purchase. This remark, of course, does not take account of the fact that if Vimalert reaps a profit in this year of grace, our government, through excess profits and income taxes, will take most of it right back into the U. S. Treasury.

However, the main point that I want to make is that it is highly desirable that the price to be paid to Vimalert should not be "traded" but should be determined by a fact-finder who acts in accordance with legal principles that are generally accepted as sound and equitable. Fair market value is such an accepted standard. In a case such as the present where there is no active trading in the particular kind of goods involved, current replacement cost is an acceptable substitute.

The determination of the appropriate principle upon which price is to be fixed and having Dr. Saunders apply that principle to the facts, is satisfactory to the Vimalert Company. It also meets my personal needs because it makes it impossible for anyone ever to make any just claim that I have ever participated in an effort to get an unfair price for any products that are sold to the British or American governments. It will furnish equal protection to any officers who act on behalf of either of the governments concerned.

I think that a perusal of the enclosed records will assure you that the Vimalert Company has adopted a just, fair, and reasonable attitude in this entire matter. In effect, it has waived its claims on account of the "orphaning" of the portions of its sets that do not fit the Nuffield specifications. It is willing to take replacement cost of the items that are selected and it is willing that that replacement cost shall be determined by an agent of the purchaser, the U. S. Government.

What more it could reasonably be asked to do, I fail to see.

Very truly yours,

THOMAS G. CORCORAN.

Enclosures.

EXHIBIT No. 344

1016 INVESTMENT BUILDING,
Washington, D. C., July 28, 1941.

Re: Vimalert matter.

MR. JULIUS AMBERG,

*Assistant to Under Secretary of War,
War Department, Washington, D. C.*

DEAR MR. AMBERG: Since I have agreed with the Under Secretary to recommend that the Vimalert Company accept whatever disposition you propose for this matter, I give you the following résumé of the important events in the negotiations as seen from the Vimalert point of view:

(1) The principal business of the Vimalert Company is building, rebuilding and dealing in Liberty engines and the development of other engines of related design. Over the years it has acquired a large stock of parts for these engines. Many of these parts are identical with those used by the British in the "Nuffield" Liberty engine which they use in certain light tanks.

(2) In November 1940, the Vimalert Company sold a substantial lot of Liberty engine parts to the British for use in Nuffield engines. The parts proved satisfactory. Negotiations were then opened up to have Vimalert build 1,000 Nuffield engines in which it would use such interchangeable parts as it then had on hand.

(3) On December 30, 1940 (almost seven months ago) the British Purchasing Commission gave Vimalert a "letter of intention" with respect to those engines. A copy of this letter is attached as Exhibit A. At this point in the proceedings Mr. Flynn asked me to represent Vimalert in the preparation of a detailed contract.

(4) Negotiations on details as to the form of contract moved slowly. The British were running short of funds. Vimalert finally proposed that, in lieu of purchasing complete engines, the British purchase such component parts as Vimalert had that were interchangeable with Nuffield parts.

(5) Before the order was closed the Lease-Lend Act was presented to Congress. Upon its enactment nearly three months ago the British promptly filed two requisitions for these parts at the prices quoted by Vimalert. Subsequently three further requisitions were filed, making a total of five. The requisition numbers are 195, 881, 2973, 2974 and 2975.

(6) The matter was handled by Lieutenant Colonel Warner of the Ordnance Department. He objected to the prices quoted in the first two requisitions and offered the prices set forth in the Standard Nomenclature List of tank parts. Vimalert did not believe the S. N. L. prices to be fair or reasonable. That company is today sending you a letter setting out its reasons for such disbelief. Since I had no positive knowledge either on that point or as to the fairness of the prices quoted by my client, I recommended that Vimalert offer to accept present replacement cost for the quoted parts, such cost to be determined by an impartial arbitrator. Thereupon, by letter of May 15, Vimalert made such an offer to Colonel Warner. A copy of that letter is attached as Exhibit B.

(7) Apparently the matter was then turned over to Mr. Douglas C. Mackeachie, Deputy Director of Purchases for O. P. M. On June 5 Mr. Mackeachie proposed that the purchase price should be determined by arbitration. This, however, was to be on an open basis, and "neither reproduction cost nor any other predetermined basis should limit the discretion of the arbitrators." Meanwhile, Vimalert was to make immediate delivery of the parts. On June 19 Mr. Mackeachie confirmed this proposal in writing. A copy of his letter is attached as Exhibit 6.

On July 1, the company wrote Mr. Mackeachie as per Exhibit D attached, explaining its views of the unfairness of that proposal and renewing the offer it had made to Colonel Warner, modified by offering to accept Dr. Saunders of O. P. M. as the arbitrator.

(8) Vimalert was later advised that Major Edwin Clark in the Office of the Under Secretary of War had been deputed by Colonel MacMorland of the Defense Aid Division to "settle" the matter of prices for these parts. Major Clark asked me to inform him as to the situation. I did so by letter of July 8, 1941, a copy of which is attached as Exhibit E.

(9) Major Clark then asked the representatives of Vimalert to meet with the representatives of the British Purchasing Commission, the Ordnance Department and O. P. M. Vimalert's representatives were called into this meeting at about 11:30 a. m. In addition to Major Clark of the Under Secretary's office, there were present—

(a) For O. P. M.: Mr. Alexander Hawes, Assistant General Counsel; Mr. Fairfax Leary of the General Counsel's office; Dr. Saunders, Chief of the Cost Accounting Division; Mr. Bassey, probably from the Cost Accounting Division.

(b) For B. P. C.: Mr. G. S. Murray; Mr. Murphy.

(c) For the Ordnance Department: Major Smith, Assistant to Lt. Col. Warner.

(d) For Vimalert: Mr. Flynn, Vice President; Mr. Clark, Chief Engineer; Charles S. Guthrie and Thomas G. Corcoran, counsel.

(10) The conference had been proceeding for some time before the Vimalert representatives were admitted.

After the entry of the Vimalert representatives, Major Clark stated that the other parties had agreed among themselves and had authorized him to speak for them.

Major Clark first inquired whether Vimalert would sell the parts at the prices it had originally quoted prior to the proposal of replacement cost, with the exception of the two different kinds of connecting rods. After conference, Vimalert's representatives said that they would be willing to take out the connecting rods and sell the rest of the parts at the specific prices it had quoted.

Before doing so, however, they inquired whether the Government agreed that these quotations were less than present replacement cost of the parts it wanted and expressed the desire that the Government representatives should certify to that fact. Mr. Bassey, of O. P. M., said that he was not satisfied that the prices were less than replacement cost and stated that he had some offers at lower prices. Vimalert's representatives were, therefore, unable to understand why the Government wanted it to reinstate the former prices instead of accepting the apparently better offer of replacement cost. In the end, however, they expressed the view that the fact that the Government elected to take the original quotations rather than to arbitrate replacement cost spoke for itself and withdrew their request for an express statement to that effect.

(11) All present, including Major Smith of Colonel Warner's office, expressed themselves as accepting as a contract the sale of Vimalert's parts, other than connecting rods, at the prices quoted in the British requisitions.

Later in the day Mr. Bassey, in response to a further question, indicated that the only quotation he had on hand for these parts at prices lower than those offered by Vimalert was from a certain Grant Company. (Vimalert thereupon investigated and some days later discovered that the Grant offer was for a limited number of parts and *that those parts had been already inspected by the B. P. C. and rejected as defective.*

(12) After agreement had been made concerning the parts other than connecting rods, Major Clark brought before the meeting the question of what price Vimalert would take for the connecting rods. Vimalert's rods are made according to the Liberty engine specifications which call for machining of a certain web. The Nuffield specifications do not require that that web be machined. Vimalert believes that this machining removes surface defects from the forgings and lightens the rods without impairing their strength. The B. P. C. doubts some of those claims. In any event, it claims that the much cheaper Nuffield design is good enough for its purposes.

After the meeting had discussed these technicalities, Major Clark and Major Smith announced that they were going down to discuss the price of connecting rods with Colonel Warner. On their return, Major Clark offered Vimalert the S. N. L. price plus 5% for the connecting rods. After conference, this offer was accepted on behalf of Vimalert.

(13) Major Smith for Colonel Warner; Mr. Hawes, Mr. Leary for the O. P. M., and Mr. Guthrie for Vimalert, were then designated to express the agreement of the meeting in legal form. They recommended that the transaction be consummated by having Vimalert make a new offer to Colonel Warner, incorporating the proposals agreed upon at that meeting. The revised offer was prepared and delivered that afternoon, July 15. A copy of it is attached as Exhibit F.

(14) Subsequently, Vimalert's representatives were given a copy of a letter sent to Colonel Warner by the B. P. C. dated July 18, of which a copy is attached marked "Exhibit G." This letter establishes for the record the statement of the B. P. C. that based on their actual purchases of comparable material from other sources, Vimalert's prices to the B. P. C. are fair and reasonable.

Very truly yours,

THOMAS G. CORCORAN.

EXHIBIT No. 345

LAWS AND RULES GOVERNING THE APPEARANCE OF FORMER GOVERNMENT OFFICERS AND EMPLOYEES BEFORE GOVERNMENT DEPARTMENTS AND AGENCIES

The basic statutory provision governing this matter is as follows:

"It shall not be lawful for any person appointed as an officer, clerk, or employee in any of the departments, to act as counsel, attorney, or agent for prosecuting any claim against the United States which was pending in either of said departments while he was such officer, clerk, or employee, nor in any manner, nor by any means, to aid in the prosecution of any such claim, within two years next after he shall have ceased to be such officer, clerk, or employee." (5 U. S. C. 99, from Act of June 1, 1872, 17 Stat. 202.)

The Attorney General has ruled that this provision applies to all such claims which were pending in any of the Departments while the employee was in the employ of the Government (20 Op. 695). What constitutes a "claim" and whether or not the word "department" includes departments created since the date of the statute, or independent commissions, are more or less open questions.

apparently the provision is construed to apply chiefly, if not only, to claims involving demands for money from the United States. And it probably would not be construed to prohibit the handling of claims before agencies other than the ten departments.

It does not appear that there is any statutory provision which forbids a former officer or employee from carrying on business with the Government or acting as counsel in matters not involving such claims against the Government as provided for in the statutory provision cited above. In a few instances, however, there are statutory provisions governing the activities of officers after leaving the government service. The Federal Reserve Act as amended provides as to members of the Board of Governors of the Federal Reserve System:

"The members of the Board shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed." (12 U. S. C. Supp. 244. Act of August 23, 1935, 49 Stat. 704.)

The statutes provide that any member of the Board of Tax Appeals removed from office by the President for inefficiency, neglect of duty, or malfeasance in office, shall not be permitted at any time to practice before the Board (26 U. S. C. 620).

Several of the departments and independent agencies have, however, adopted rules governing practice before them which forbid or restrict the appearance or practice before them for a two-year period of attorneys, or other persons, who were formerly employed by the department or agency.

The rules of the Department of Agriculture provide that "no former officer or employee of the Department of Agriculture shall, within two years after the termination of his employment, be permitted to practice or appear, or to act as an attorney or agent, in any case, claim, contest, or other proceeding before the Department of Agriculture or before any office, bureau, or agency thereof" (7 CFR 1, 1579).

The rules of the Department of the Interior provide:

"No person who has been employed or has held any office or place of trust or profit in the Department of the Interior shall be permitted to practice, appear, or act as an attorney or agent in any case, claim, contest or other proceeding before the Department or before any bureau, board, division or other agency thereof, until 2 years shall have elapsed after the separation of the said person before the said service; and no attorney or agent admitted to practice before the Department shall employ or retain any such person for the purpose of making any personal appearance in any such case, claim, contest or other proceeding, before the expiration of the said 2-year period" (43 CFR 1.9).

The Treasury Department also has similar rules. No former officer, clerk, or employee of the Treasury Department shall act as attorney or agent, or as the employee of an attorney or agent within two years after the termination of such Treasury employment, in any matter pending in such department during the period of his employment therein, unless he shall first obtain the written permission of the Secretary of the Treasury or his duly authorized representative. Such permission will not be granted if the employment as an attorney or agent is prohibited by the statutes, 5 U. S. C. 93 or other law. Furthermore, no enrolled attorney or agent shall assist a person who has been employed by a client to represent him before the Treasury Department *in connection with any matter to which such person gave personal consideration or as to the facts of which such person gained personal knowledge while in the Government service* (31 CFR 10.2).

The rules of the Federal Communications Commission provide that no person serving as an attorney at law in the Federal Communications Commission on or after July 1, 1935, shall be permitted to practice, appear, or act as an attorney in any case, claim, contest, or other proceeding before the Commission or before any Division or agency thereof until 2 years shall have elapsed after the separation of the said person from said service (47 CFR 1.27).

Under a recently promulgated rule of the National Labor Relations Board, no former employee of a regional office may engage in practice before the Board "in any capacity in connection with any case proceeding which was pending in the Regional Office to which he was attached during his employment with the Board." Former members of the Washington staff are subject to the same disability in respect to cases pending before the Board or any of its regional offices at the time of their employment.

A Tariff Commission regulation provides:

"No former officer or employee of the Commission who has, as such officer or employee, given personal consideration to an investigation (including preliminary inquiries prior to the institution of an investigation) shall be eligible to appear as attorney or agent before the Commission in such investigation. No former officer or employee of the Commission shall be eligible to appear as attorney or agent before the Commission within 2 years after the termination of such employment unless he has first obtained written consent from the Commission."

The Securities and Exchange Commission has stated in respect to its rule governing the activities of former employees:

"Under the amended Rules of Practice any former member of the staff of the Commission who shall appear in a representative capacity in any matter, including an investigation conducted by the Commission, which was pending before the Commission during the period of his employment and with which matter he has, by virtue of his employment with the Commission, such familiarity as to be prejudicial to the proper conduct of the case, or in which matter he acted for the Commission in such a way as to make unethical his subsequent connection therewith, and any person employing the services of any such former member of the staff in such matters, without first obtaining the consent of the Commission, may be held to be lacking in proper professional conduct."

Somewhat similar rules are in force for other departments or agencies including the *Post Office Department*, *Patent Office*, *Bituminous Coal Division of the Department of the Interior*, and the *Federal Power Commission*.

Furthermore, the Supreme Court of the United States has a rule which provides that no person who has served as a law clerk or secretary to a Justice of the Supreme Court can appear before the Supreme Court until two years have elapsed after his leaving the service of the Justice or Court.

EXHIBIT No. 346

INTERIOR DEPARTMENT APPROPRIATION BILL, 1942

PART III—EXPLORATION FOR OIL IN ALASKA

Hearing conducted by the subcommittee, Messrs. Edward T. Taylor (chairman); Jed Johnson, Oklahoma; James G. Scrugham; James M. Fitzpatrick; Charles H. Leavy; Harry R. Sheppard; Robert F. Rich; Albert E. Carter; and Robert F. Jones, of the Committee on Appropriations, House of Representatives, in charge of the Interior Department appropriation bill for the fiscal year 1942

WEDNESDAY, APRIL 23, 1941.

EXPLORATION FOR OIL IN ALASKA

STATEMENT OF HON. HAROLD L. ICKES, SECRETARY OF THE INTERIOR

Mr. JOHNSON of Oklahoma. Mr. Secretary, Mr. Jones has a few questions he wants to ask you.

Mr. JONES. Mr. Secretary, you are familiar with the operations of the Iniskin Oil Company in Alaska which is interested in drilling for oil; that is, you granted an exploration lease to this company in Alaska?

Secretary ICKES. Is that the Havenstrite group?

Mr. JONES. Yes.

Secretary ICKES. I know something about it. I know he drilled a well up there and went down quite a distance. He says he spent about a million dollars for his group. I do not know what the facts are. But he did not get any oil.

Then I think one of the Standard Companies went up there; at any rate, someone else did, and they tried to drill. They did not go down nearly so far, and they abandoned it.

I think those are the only efforts that were made.

Mr. JONES. Does his company have an exploration lease in Alaska with your Department?

Secretary ICKES. Yes. He and his associates have oil leases under the statutes.

Mr. JONES. Are they on the naval reserves?

Secretary ICKES. No; they are not on naval reserves; they are on public lands. Mr. JONES. Did Mr. Havenstrite or his counsel recently approach you with respect to arranging for the oil which might be taken out of this Alaska well, or one of the wells, so that the oil might be stored for the Navy?

Secretary ICKES. Mr. Havenstrite did come to see me and he was very anxious to drill another test well. He believes there is oil there. I may say that I called up and I had in, as a matter of fact, the Director of the Geological Survey and our geologist for Alaska, Dr. Smith, who happened to be in Washington, and they both say that this area, where Havenstrite did drill and wants to drill again, is regarded by them as good oil-prospecting territory. And, frankly, they would like to know, we would all like to know, whether we have any oil in Alaska.

Mr. SHEPPARD. Was this first well a duster; it was a dry well?

Secretary ICKES. That is right.

Mr. JONES. They are still drilling in that well, trying to get oil?

Secretary ICKES. I do not think so.

Mr. JONES. Is he drilling another well?

Secretary ICKES. No; he wants to drill another well.

Mr. JONES. Did Mr. Havenstrite suggest to you that an agreement be entered into with the Navy Department to store the oil from any well?

Secretary ICKES. No. I think he hoped the Navy Department might feel sufficiently interested to advance the money to put down an exploratory well; but we have no agreement with the Navy, and I do not think we could have.

Mr. JONES. Did Mr. Havenstrite or his counsel suggest to you or any of your assistants that you approve such an arrangement and indicate that approval to the Secretary of the Navy?

Secretary ICKES. No. It did not come up in quite that way. They wanted to know what our Geological Survey felt about, first, the existence of oil in that particular location and, second, whether the Geological Survey would like to have a well put down in order to find out whether there was oil in Alaska. And that was all that was said, so far as I am concerned.

Mr. JONES. Did you communicate with the Secretary of the Navy to persuade him or give him the impression you were favorable; that you would look upon it with favor?

Secretary ICKES. No. I wrote the Secretary of the Navy a letter in which I told him that the Geological Survey was sufficiently impressed—I am not quoting it exactly—with the possibility of there being oil in this particular locality, so that it would like to see a well put down, but that I had no advice or suggestions to make to the Navy Department in the matter; that is all.

Mr. JONES. Did you write to them or talk to the Navy Department, or phone?

Secretary ICKES. I talked to the Secretary of the Navy in the first instance and then Havenstrite went over to see him. Then I wrote him this letter.

Mr. JONES. You wrote him one letter?

Secretary ICKES. Yes.

Mr. JONES. Was Thomas Corcoran counsel for Havenstrite in this matter?

Secretary ICKES. I do not know whether he is counsel or not; as a matter of fact, as I understand, Mr. Corcoran was not interested as his attorney at all, was not being paid by Havenstrite—was not being paid anything by him.

Mr. JONES. Was not Mr. Havenstrite advised by Mr. Wirtz down in your Department to retain Mr. Corcoran in this matter?

Secretary ICKES. I doubt it very much. In fact, I disbelieve that.

Mr. JONES. Would you check on that for the record?

Secretary ICKES. Yes. The only record I could make on it would be to ask Mr. Wirtz, and I have talked with him about this thing generally and I am just darned sure he did not.

Mr. JONES. My information is that Mr. Wirtz advised Mr. Havenstrite to hire Mr. Corcoran and I was curious to know why.

Secretary ICKES. I just do not credit that. We do not advise anybody to retain any particular counsel in any case, and I think Wirtz is too smart to do anything of that sort.

Mr. JONES. Did Mr. Corcoran discuss this Havenstrite matter at all with the Department, or any member of the Department, or with you?

Secretary ICKES. Yes; he discussed it and I told him just what I told you.

Mr. JONES. You discussed it with Mr. Corcoran?

Secretary ICKES. Yes; and he could tell the whole world.

Mr. JONES. Well, he did interest himself in this matter one way or another, in Havenstrite or the Iniskin Oil Co.

Secretary ICKES. Yes. I think he has conferred with Mr. Havenstrite about it. The relationship between the two I do not know, but my understanding was it was merely friendly services. Naturally, everybody is interested in knowing whether we have enough oil in case of an emergency here. We have, as a matter of fact.

Mr. JONES. Was it Mr. Corcoran who first outlined to you a plan whereby Havenstrite would talk, with your approval, to the Navy Department and see whether or not he could obtain an agreement with the Navy so that they would be able to obtain from the Navy Department, the O. P. M., the R. F. C., or the Geological Survey, funds for the purpose of continuing drilling?

Secretary ICKES. The Geological Survey has no funds for any such purpose, and we could not advance money and could not put down an oil well of our own. I do not know whether the R. F. C. was approached on the subject, or the O. P. M.

Mr. JONES. Do you know, as a matter of fact, it was the plan of Havenstrite and Corcoran to take an agreement which the Interior Department would make with the Navy, to the Secretary of the Navy?

Secretary ICKES. I repeat we could not make an agreement with the Navy.

Mr. JONES. In regard to storing oil?

Secretary ICKES. No. The Navy has certain powers with respect to oil from the naval reserve, but we have no power.

Mr. JONES. Well, you could make a recommendation, could you not, that the Navy take some of the oil taken from public lands on which you had granted an exploration lease, and store it for the use of the Navy, could you not?

Secretary ICKES. Well, I would not volunteer any such suggestion.

Mr. BURLEW. It could not be done. It is without any authority.

Mr. JONES. It is my understanding that the letter you wrote to the Secretary of the Navy would leave them with the impression that this sort of an arrangement I have described had your approval and was recommended by your Department.

Secretary ICKES. No; I do not think anyone could get that impression from the letter I wrote the Secretary of the Navy.

Mr. JONES. Would you put that letter in the record?

Secretary ICKES. I will be very glad to do so.

(The letter referred to is as follows:)

1-480

UNITED STATES OF AMERICA,
DEPARTMENT OF THE INTERIOR,
Washington, D. C., April 24, 1941.

Pursuant to title 28, paragraph 661, United States Code, I hereby certify that the annexed is a true copy of the original as it appears in the records and files of this Department.

In testimony whereof, I have hereunto subscribed my name, and caused the seal of the Department of the Interior to be affixed, the day and year first above written.

[SEAL]

E. K. BURLEW,
First Assistant Secretary of the Interior.

[Copy]

THE SECRETARY OF THE INTERIOR,
Washington, D. C., March 19, 1941.

The Honorable THE SECRETARY OF THE NAVY.

SIR: I have given careful consideration to the problems raised by Mr. R. E. Havenstrite's proposal for a Government loan to finance the drilling of a new test well in the Iniskin Peninsula area in Alaska held by him and his associates under oil and gas leases issued by this Department.

Insofar as these problems relate to the advisability of granting a loan, they are not within the jurisdiction of this Department, and it would be inappropriate for me to express any opinion concerning them. I would like to point out, however, that the royalties to the United States in the present leases were fixed at a specially low rate because the lessees were undertaking to explore the oil and gas possibilities of this area at their own risk and expense. Should it

be decided to advance Federal funds to finance the operations of these lessees, I believe that the granting of a loan should be conditioned, among other things, on an upward revision of the royalty rates fixed in the leases. For this reason I should be kept advised of further developments in this matter and be given an opportunity to suggest what revision ought to be required in order to protect the interest of the United States entrusted to this Department.

Very truly yours,

(Sgd.) HAROLD L. ICKES.
Secretary of the Interior.

Mr. JONES. When the matter was presented to you by Mr. Corcoran, or Mr. Havenstrite, was there something said or was there any discussion in regard to it, that it would be in effect putting the Government in the position of underwriting a wildcat oil operation?

Secretary ICKES. I do not recall anything of that sort.

Mr. JONES. Were you told by Secretary Knox at a luncheon that far rather than to have the Government subsidize a wildcat operator that he, Secretary Knox, would much prefer to have the Government itself drill for oil on the naval reserve in Alaska or on public lands of Alaska?

Secretary ICKES. At what luncheon?

Mr. JONES. At the luncheon you had with him.

Secretary ICKES. Am I being dictagraphed in my own Department?

Mr. JONES. I would not know, Mr. Secretary.

Secretary ICKES. I do not quite get the question. Will you repeat the question?

Mr. JONES. Were you told by Secretary Knox at some meeting that you had with him, or luncheon, at which Secretary Knox said that rather than have the Government subsidize a wildcat oil operator, he, Secretary Knox, would much prefer to have the Government itself drill for oil on the naval oil reserve in Alaska?

Secretary ICKES. I do not recall; I do not know whether he did or not.

Mr. JONES. Well, did you discuss this matter with him, outside of the letter you wrote?

Secretary ICKES. There was a brief reference to it at one time, very brief. As a matter of fact, I do not hesitate to say I would rather see the Government dig an oil well than to subsidize anyone else to do it. I do not think I have to apologize for any such position as that.

Mr. JONES. Did Mr. Corcoran see the draft of your letter, or did you read the letter to him that you wrote the Secretary of the Navy?

Secretary ICKES. No; not that I know of. No; I know he did not read the draft. I signed that letter and left my office immediately to catch a train for Fort Lauderdale, with the President.

Mr. JONES. Since you returned from your trip with the President, did you write another letter to the Secretary of the Navy drawing a different conclusion than from your first letter?

Secretary ICKES. No. That is the only letter I have written to the Secretary of the Navy.

Mr. JONES. Just the one?

Secretary ICKES. Yes.

Mr. SHEPPARD. While my colleague is looking over his papers, may I inject this question: Does Mr. Corcoran enjoy any special privileges or special considerations in your Department, more than any other counsel practicing law would enjoy?

Secretary ICKES. Not that I know of.

Mr. SHEPPARD. In other words, you did not figure you would be swayed by any beseeching on the part of Mr. Corcoran more than anybody else?

Secretary ICKES. I would not think so. Moreover, my action in this case speaks for itself. And, of course, when you are questioned about your surmises or what you might have done if you had done something else, you get off into the realm of speculation, where it is pretty difficult to come to grips.

Mr. JONES. Mr. Havenstrite and Mr. Corcoran, I understand it, did try to influence you to recommend to the Secretary of the Navy?

Secretary ICKES. What do you mean by "influence"? People come to my office every day, including Members of Congress, asking for this, that, or the other. I do not like the implication of the word "influence."

Mr. JONES. Well, you supply the word you want to use. That is the best word I know of to explain it—to encourage you to recommend to the Secretary of the Navy that they purchase the oil from a well Havenstrite's company would drill in Alaska, to store for the Navy Department?

Secretary ICKES. I do not know anything about that. I do not remember anybody ever saying anything about storing oil for the Navy Department.

Mr. JONES. Well, does your letter to the Secretary of the Navy? If not, I misunderstood the answer to the question. I thought you said you wrote a letter to the Secretary of the Navy in regard to this particular plan to store oil.

Secretary ICKES. I said no such thing, Congressman.

Mr. JONES. Well, can you tell me the substance of the letter you wrote to the Secretary of the Navy?

Secretary ICKES. I have already told you, and I said I would furnish a copy of the letter.

Mr. JONES. That was a letter written prior to your going on a trip with the President?

Secretary ICKES. That is right.

Mr. JONES. That is all.

The CHAIRMAN. Mr. Secretary, do you want to make any statement concerning this matter yourself?

Mr. ICKES. No.

Mr. JOHNSON of Oklahoma. Are there any further questions? If not, we thank you. If there is any statement you want to make on or off the record, you may do so.

Mr. JONES. No; I have not. I was trying to find out myself whether the Government, whether the Interior Department—

Secretary ICKES. What if somebody did ask me to do this?

Mr. JONES. You misunderstand the implication of the question. I wanted to find out whether it was the practice of the Interior Department—and I had heard about this particular case—to recommend agreements with the Navy Department whereby they would use, or an oil-company promoter could use that agreement to finance the further drilling of wells in Alaska.

Secretary ICKES. I never made any such recommendation to the Secretary of the Navy. Under the law, I have no authority to make any such recommendation to the Secretary of the Navy. If I had ever done it, it would have been purely gratuitous and could have been disregarded. I have no authority to make any such agreements with the Secretary of the Navy. The only time there was any collaboration between the Interior Department and the Secretary of the Navy was under the Harding Administration.

Mr. LEAVY. Let me ask this in order to clarify this matter in my own mind, and I might have misunderstood you, Mr. Jones. In your questions, you seem to quote the purport of a conversation had between the Secretary of the Navy and the Secretary of the Interior about these oil drillings in Alaska.

Mr. JONES. Yes; that is right.

Mr. LEAVY. Well, did the Secretary of the Navy ever communicate with you or write you or in any way give you such information, or upon what do you base your statements? Otherwise, it would be the rankest kind of hearsay.

The CHAIRMAN. Where did you get this information?

Mr. LEAVY. And it should not be given credence unless you have a basis for it. I do not mean to protect the Secretary; he is able to protect himself.

Mr. JONES. I was only asking the questions.

The CHAIRMAN. Why did you ask the question whether he was influenced?

Mr. JONES. I told him to take out the word "influenced," that that was my word and he could use any other word—whether he was persuaded.

Mr. JOHNSON of Oklahoma. Just to ask a man out of a clear sky if he was trying to influence or trying to persuade the Secretary to do something—do not you think it is only fair to take the committee into your confidence and tell us if you have any information to indicate the Secretary has done that?

Mr. JONES. No.

Mr. JOHNSON of Oklahoma. Suppose I should say, "Mr. Secretary, have you quit whipping your wife?"

Secretary ICKES. Precisely; these questions are of that nature.

Mr. JOHNSON of Oklahoma. "Have you quit whipping your wife?" and suppose he answers either way; suppose he says "Yes, I have quit whipping my wife," that would leave the impression he had been whipping her.

The CHAIRMAN. Yes; and he ought to give his reasons for that.

Secretary ICKES. I have written a letter on a good many occasions, but I never yet have been questioned on what I might have said or might not have said at a luncheon with another member of the Cabinet.

Mr. LEAVY. It was only my thought, Mr. Chairman, Mr. Jones, and Mr. Secretary, that in fairness to all parties, if you purport to quote anyone's statement, either from a letter or orally, you ought to come as near as possible to giving the time and place when it was said, the document, or how the statement was made, and who was present.

The CHAIRMAN. It seems to me that none of this stuff should go on the record at all.

Mr. LEAVY. It does not seem to me it should, either.

Mr. JOHNSON of Oklahoma. No; because, now, if you leave this on the record, it leaves the impression he did.

Mr. JONES. The answers are there. I do not think it does.

Mr. JOHNSON of Oklahoma. It leaves the impression the Secretary has been trying to do some underhanded work to get the Secretary of the Navy to do something.

Mr. LEAVY. It seems to me that you have reflected on the Secretary of the Navy and the Secretary of the Interior.

Secretary ICKES. Anyway, is this within the jurisdiction of the committee?

The CHAIRMAN. It is a reflection on the Secretary of the Interior.

Mr. LEAVY. And the Secretary of the Navy, also.

Mr. JONES. I cannot see where it is any reflection. The letter, when put in the record—I do not know what is in the letter, but I assume there was a letter written in regard to this particular transaction, and when it is put in the record it will speak for itself.

Secretary ICKES. Well, why do you assume that there was a letter?

Mr. JONES. You said there was.

Secretary ICKES. I know, but you assumed it as a basis of your questions.

Mr. JONES. I assumed what?

Secretary ICKES. That I had written a letter.

Mr. JONES. I asked you.

Secretary ICKES. You asked me.

Mr. JONES. I said had you communicated or written a letter, or anything. I do not think I even mentioned a letter.

Secretary ICKES. Well, it is an interesting experience to come before the Appropriations Committee and be subjected to a fishing expedition on a matter that is not within the jurisdiction of the committee. I think it is taking an unfair advantage.

Mr. FITZPATRICK. I did not know what it was all about.

Secretary ICKES. Well, the record is there. I have never had anything to conceal yet; there has been no black satchel in my office. You have to go back to my Republican predecessor to find that.

Mr. JONES. I will say this to the Secretary, that I see no reason from my questions why you would assume I would think so, or that anybody else would think so.

(After discussion off the record:)

Mr. SHEPPARD. May I say this, Mr. Secretary: If the inquiry I made relative to the special privileges Mr. Cochran might enjoy was contrary to what you think was ethical, you have my permission to strike it all out. I have no desire to do that, knowing such was not the case at all, but it was merely in conjunction with the inquiry that had been made.

EXHIBIT No. 347

THE SECRETARY OF THE INTERIOR,
Washington, May 6, 1941.

Editor, ST. LOUIS POST-DISPATCH,
St. Louis, Missouri.

MY DEAR SIR: I have before me a cutting from your paper of May 1, 1941, the heading of which is: "House Committee Coverup of Ickes Deal on Alaskan Oil Drilling Loan." In view of your fair and discriminating editorial which you printed the following day, I would not say anything about this article, were it not for the fact that your editorial appeared in your paper alone and even there it was probably read by a comparatively few of your readers. On the other hand, the article with its misstatements and false insinuations,

appeared on the front page. Not only this, but it was picked up by many newspapers throughout the United States, most of which in their news articles carried the same false impression that your original article did. The fact that your editorial page promptly did what it could to right an obvious wrong was gratifying and very much to your credit. What strikes me, however, is that your desk should have passed such a story, especially with such headlines. It seems to me that any fair-minded reader of the article could have seen the inherent weaknesses and the apparent falsities in it.

The true facts involved in the incident about which your Washington correspondent, Mr. Brandt, wrote so erroneously, are as follows:

Mr. R. E. Havenstrite, whom I had never met, but who had been doing business with my department since before I became its head, came to my office with Mr. Thomas G. Corcoran. Mr. Havenstrite had spent, according to him, one million dollars in trying to bring in oil on the public lands in Alaska, the original right to do which had been granted by the Interior Department prior to 1933. He had been unsuccessful, but he was not discouraged. He believed that there was an oil pool in Alaska and the Geological Survey felt that if there was any oil in Alaska it was at this particular site. It believed further that the indications of oil were sufficiently good to warrant the drilling of another test well. Naturally, the Geological Survey would be pleased if oil should be discovered in Alaska and so would I.

Mr. Havenstrite did not feel that he could finance, personally, the drilling of another test well. He hoped that the Navy or the R. F. C. would advance the money. I told Mr. Havenstrite that while we would like to see oil brought in in Alaska, because we could use a lot of it there in connection with our greatly enlarged military and naval operations, the Interior Department had no money with which to finance such an operation as he had in mind. Moreover, we had no authority under the law either to finance such an operation or to undertake a test well ourselves.

I called up Secretary Knox and asked him whether he would be willing to talk to these two gentlemen. He said that he would and subsequently he did see them. I made no suggestion to Secretary Knox as to what he ought to do. I do not voluntarily advise my cabinet colleagues as to their duties, especially in a case such as this, in which I did not have any facts upon which to base a considered judgment. I did not even have a guess as to what the requirements of the Navy for oil and gasoline might be in the waters contingent to Alaska, or what means it had to supply those needs. Subsequently Secretary Knox called me up and asked me if I would write him a letter covering the position of the Department of the Interior in this matter. I got this letter off to him just before I left my office to join the President on his fishing trip, on March 19. That letter is set forth in full in your article.

No person with an honest mind can read that letter and find in it any suggestion of impropriety on my part. I not only said to Secretary Knox that "it would be inappropriate for me to express any opinion * * *" on "the advisability of granting a loan (to Havenstrite)," I went on to say that if it should be decided to "advance Federal funds to finance the operation of these leases, I believe that the granting of a loan should be conditioned, among other things, on an upward revision of the royalty rates fixed in the leases."

This letter is the only one that I have ever written to Secretary Knox on this subject. This constitutes the "Ickes Deal on Alaskan Oil Drilling Loan" that your headline proclaims.

The last sub-head over this article has this language: "Interior Chief's Letter Disclosed." This is an insinuation that no newspaper should indulge in. The word "disclosed" is one of those suggestive, smearing words that are favored by newspapers when they want to create an erroneous impression that the facts do not justify. I am glad to say that the St. Louis Post-Dispatch does not belong in this classification. The "disclosure" consisted of this:

Congressman Jones, who at the hearing referred to, was reading to me carefully prepared questions—prepared, as I believe, although I cannot prove it, by your very able correspondent, Mr. Brandt—asked me if I had written a letter to Secretary Knox. I replied in the affirmative. Then he asked me if I could tell him the contents of that letter. This I did from memory and to the best of my ability.

Then he wanted to know if I would furnish the Subcommittee with a copy of my letter. I readily agreed. This copy was in the hands of the Committee Clerk that same afternoon. A copy was also gratuitously furnished to Congressman Jones at the same time and this was not covered by the executive

blanket prohibition pertaining to committee proceedings so that he was at liberty to make such use of it as he might wish.

So much for the "disclosure" of the "Interior Chief's letter."

Now let us consider some other misstatements and innuendoes in this smear by the St. Louis Post-Dispatch.

You refer to the action taken by the Democratic members of the subcommittee as an "extraordinary incident." You go on to say: "It involves Ickes and his close friend, Thomas G. Corcoran * * *."

The majority of the members of the subcommittee present at the time of this interrogation by Congressman Jones did make it clear that it felt that the subject matter was not within the jurisdiction of a subcommittee of the Appropriations Committee. Why this majority voted not to print this colloquy I do not know. Certainly it was not at my request, made either at the hearing or subsequently to any member of the committee. As a matter of fact I did not know that the full Appropriations Committee had voted not to print this as a part of the record until your correspondent came to see me for the first time, which, significantly, was *after* he had written and you had printed his article. I do know, and so does Mr. Brandt, that the proceedings of all subcommittees, as well as of the full committee on appropriations, are customarily executive. This has been a standing rule which is more honored by its breach, however, than by its observance. The committee, having voted not to include this part of the record in its printed proceedings, every member of that committee, including Congressman Jones, was honor bound by that vote. However, it appears that Mr. Brandt had no difficulty at all in having access to the record.

I do not complain of this fact because there is nothing in the whole record that, so far as I am concerned, may not be fully disclosed.

The "extraordinary incident" that the St. Louis Post-Dispatch thunders about in its index consisted of the call upon me by Mr. Corcoran and Mr. Havenstrite. I suppose that no man in high executive office in Washington does not partake of some such "extraordinary incident" many times every day. There was no attempt at secrecy; there was no action proposed or taken against the public interest; the "extraordinary incident" consisted merely of a mutual acquaintance calling to introduce a man who wanted to transact some public business.

You say further: "Called before the Interior Department Appropriations Subcommittee in executive session, Ickes was questioned by Representative Robert F. Jones * * *." More misstatement of fact. I was not called before this Subcommittee. At an earlier meeting of the Committee I had asked for the privilege of appearing again on another matter. It was in response to that request on my part that I was there on this occasion. In the meantime, Representative Jones had asked First Assistant Secretary Burlew, through the clerk of the committee, if he would come up and answer certain questions about oil leases, the nature of which he did not make clear to Mr. Burlew. I told Mr. Burlew to call Representative Jones back and tell him that when I appeared again, as Representative Jones knew I was going to do, I would endeavor to answer whatever questions he might care to ask. As to the weasel word "executive" the answer is that all the meetings of this Subcommittee, and similar ones, are executive—just how "executive" you know as well as I, and they are "executive" because the Congress itself makes them so.

You say: "The Government had already taken one of these (Havenstrite's) wells down to a depth of 8,700 feet at a cost of nearly \$1,000,000." This is another misstatement of fact. The Government has never invested one red cent in the drilling of any well in Alaska. As I have already said, Havenstrite, according to himself, had spent \$1,000,000 in drilling a well. That he had drilled a well without finding oil there is no doubt.

In the next paragraph the article goes on: "Then with *this agreement* (under-scoring mine) Havenstrite and Corcoran would go either to the Office of Production Management or to the R. F. C. * * *." By using the words "*this agreement*" you evidently intend to insinuate that there either was an existing agreement or that one was intended between Interior and Havenstrite. This, too, is a misstatement of fact. There was no agreement with Havenstrite or with anyone else about attempting another test well. To be sure, Havenstrite and his associates had a legal right to attempt another well if they wanted to, which right had been obtained legally in the first instance during the administration of President Hoover.

You say: "Shortly before he was to leave with President Roosevelt on his recent cruise in the Caribbean, Ickes invited Secretary of the Navy Knox to come to luncheon with him in the private dining room of the Secretary's offices in the

Interior Building. Over lunch they discussed Havenstrite's proposal." Another misstatement of fact. My recollection is that Secretary Knox did lunch with me prior to my leaving on this trip, but, according to my records, this was on January 28. Certainly Havenstrite's proposal was not discussed on that occasion. I had never even heard of him then and I do not believe that Secretary Knox had either.

You go on to say: "Knox left with the distinct impression that Ickes favored the plan." Since the alleged fact upon which this conclusion is based is a misrepresentation, it is, necessarily also a misrepresentation that Knox left with the distinct impression that Ickes favored the "plan." How Secretary Knox could have left with a "distinct impression" that Ickes favored a nonexistent, or at least, to him, unknown "plan" shows a clairvoyance on the part of Mr. Brandt and, therefore, of the St. Louis Post-Dispatch that is little short of marvelous.

After writing all of these insinuations and outright misrepresentations, your correspondent at last makes a statement that is true. In fact, it is the only true one so far discovered. That is, it is true if you will permit me to amend it by striking out the words "immediately afterwards" which refer to the luncheon that I had at which Secretary Knox was my guest prior to my leaving on the fishing trip with the President. With those words omitted, out of a scrupulous regard for the truth, it is true that I wrote a letter to Secretary Knox dated March 19, the day on which I left with the President. It is also true that I wrote to Secretary Knox the words that are quoted.

After he got through with this letter, of which your correspondent managed to give a precisely contrary impression, Mr. Brandt proceeded again to build his story with bricks and mortar of insinuation and innuendo.

The article goes on: "Apparently one of Ickes' subordinates became concerned over the phraseology of this letter. * * * According to reports, several of Ickes' subordinates were deeply disturbed lest their chief give his approval to the transaction." If any of my subordinates was disturbed it was to his credit and I honor him for it. But why should any one be disturbed since I had already said over my signature to Secretary Knox that "it would be inappropriate for me to express any opinion?" Your correspondent was hard put to it to pick up again after quoting my letter. But he had to make some effort to follow to the end the furrow that he had started. Again I quote:

"On Ickes' return (from the fishing cruise) it was agreed between him and Knox that the matter should be dropped."

Most extraordinary mind-reading. For the information of your Mr. Brandt, may I say that after my return I again asked Secretary Knox to lunch with me? This was on April 3. As a matter of fact, ever since my old friend, Secretary Knox, came to Washington as Secretary of the Navy, we have lunched together frequently. Not only do I find pleasure in his company, we have much to talk about of mutual interest.

At this luncheon the Havenstrite matter did not come up until we had left the table and were on our way to the door of the dining room. As nearly as I can remember, Secretary Knox said to me: "By the way, I won't do anything about that Havenstrite matter until I hear from you further." My reply, as nearly as I can remember, was: "That's all right with me." However, the record was closed, so far as I was concerned, with my letter to Secretary Knox of March 19. So far as I know, it has also been closed with him.

Representative Jones also attempted to smear Under Secretary Wirtz. I was asked by Representative Jones whether Under Secretary Wirtz had not suggested to Havenstrite that he employ Corcoran. In assuming, as I did, that Under Secretary Wirtz had never done any such thing and, in so replying to this rotten insinuation I found that I was entirely correct. When subsequently I talked to Under Secretary Wirtz about it, he told me that he had never met Mr. Havenstrite, nor so far as he knew, had he ever seen him; that he had had no telephone conversation with him and that no correspondence has ever passed between them. Under Secretary Wirtz has stated categorically to me that, neither directly nor indirectly, did he ever make any suggestion with reference to the employment of Mr. Corcoran by Mr. Havenstrite.

Mr. Brandt attempts to pick up some badly needed speed when he wrote into his story:

"It was Ickes who some years ago started a campaign on political lawyers. * * * At that time Ickes said that the door to the Interior Department was wide open and that no one needed any lawyer to gain entrance."

More insinuations that amount to deliberate misrepresentations. I did not start a "campaign" on political lawyers and I never said that "no one needed

any lawyer to gain entrance to the Interior Department." I do not believe that any lawyer has ever had any reason to boast that he secured from me anything that any other lawyer might not have secured. I did issue a formal statement as Administrator of PWA that no applicant for a loan or grant need retain any lawyer or lobbyist or agent. And few applicants for PWA loans or grants did so.

But to have said or to have intimated that no one ever needed a lawyer in transacting business in the Interior Department would have shown that I knew very little about my Department. Lawyers are very frequently needed by citizens to transact business with my Department. I suppose that, next to the Department of Justice, the Department of the Interior is the greatest law office in the Government. Citizens seeking benefits to which they are entitled under the law, or asking for a redress of grievances, would find it difficult in cases involving technical or legal questions to get along without a lawyer. Frequently, matters of tremendous importance, involving not only rights, but very large sums of money, are argued before me personally and it would be strange if those having cases to present were not represented by lawyers.

For example, the first important case that I heard personally involved Section 36 of the Elk Hills oil lands. My finding resulted in a recovery by the Government of some \$6,500,000 from the Standard Oil Company of California and the return of what is said to be the richest square mile of oil land anywhere in the world. Pending before me now are such important matters as the violation by the City and County of San Francisco of the Raker Act (known as the Hetch-Hetchy case) and the making of a new contract following which there will probably be a request for new legislation by the Congress from the allottees of power generated at Boulder Dam. There are constant hearings on other important matters being held by the Assistant Secretaries and the Bureau Chiefs of this Department where lawyers are not only expected, but welcomed.

To cite one of many examples, minimum prices for bituminous coal are fixed after prolonged hearings before the Bituminous Coal Division of this Department. It would be silly even to suggest that the coal operators and miners, to say nothing of consumers, should be denied legal representation at proceedings that are so important to them.

When Mr. Brandt tardily came to my office to interview me about a story that had already been published, I suggested that I was entitled to be interviewed before the story was written. I also told him that, from what I understood of the story, it was a deliberate smear. He disingenuously explained his failure to interview me earlier by saying that he had not come to see me because some of my answers to Representative Jones' questions had been vague. As a matter of fact, this should have stimulated an interest on his part to interview me. However, Mr. Brandt was simply following the technique that many newspaper writers now employ. They do not seek interviews because they might then be in no position to print the deliberately intended smear. Frequently they do not even come around to interview the victim of the smear afterwards and, even when they do, no good results from it because any denial of the misrepresentations printed in the smear will either be distorted or suppressed. At best, all that a man can expect in circumstances such as these is a garbled and twisted story dishonorably interred in an inch or two on some inside page.

Again I want to tell you that I appreciate the printing by you voluntarily of the editorial that I have already referred to. An official repudiation of a smearing story in the editorial columns of the paper responsible for it goes far to sustain the belief that all of us want to have, that our press is not only free but fair and responsible. Unfortunately, however, your fine editorial cannot begin to counter the harm caused by Mr. Brandt's original article.

Mr. Brandt protested in our interview that he was not out to smear the Secretary of the Interior, but that he was trying to get a story on Tom Corcoran. A member of my staff who was present at this point interjected: "But what will be the effect of your story?" Mr. Brandt did not answer this question; he merely looked embarrassed.

I will leave it to any fair-minded reader of the St. Louis Post-Dispatch to say whether or not Mr. Brandt was quite accurate when he earnestly denied that it was not his intention to smear the Secretary of the Interior. After all, a man must be held to intend the result that flows from a deliberate act on his part. Moreover, if a public official is unfairly smeared, it is little solace to him to be assured that it was unintentional.

Very truly yours,

(Signed) HAROLD L. ICKES,
Secretary of the Interior.

"EXHIBIT No. 348" appears in full in the text on p. 3920

"EXHIBIT No. 349," introduced on p. 3918, is on file with the committee

EXHIBIT 350

[From the Richmond Times, January 21, 1942]

THE DOLLAR-A-YEAR MAN

[An editorial from the St. Louis Post-Dispatch]

The Senate Defense Investigating Committee, headed by Senator Truman of Missouri makes a sound recommendation in its call for abolition of the dollar-a-year man.

On its face, the dollar-a-year man idea looks good. Industry and business lend some of their ablest executives to the Government to help out in the war effort. Since their salaries continue to be paid by their companies, the Government obtains the help of these men for the token payment of \$1 for the year. This system makes it possible for many outstanding men to perform a patriotic service for their country without personal sacrifice.

So it appears on the surface, and so it actually is in some cases. But there is another side, and it is to this that the Truman committee wisely directs its attention.

The committee's inventory as of January 5 showed that there were no fewer than 255 dollar-a-year men working for the Office of Production Management alone and 631 others associated with the same agency who were employed without compensation. Indeed, there are so many such employees that they are designated as "W. O. C."

Looking further into this situation, the committee found that these dollar-a-year men and "W. O. C." workers dealt "with matters involving the class of clients by whom they were formerly employed and by whom they naturally expect to be employed in the future." Under the circumstances, dollar-a-year men often are "lobbyists" in "a very real sense."

Other findings announced by the committee go to support this conclusion on dollar-a-year men. Take the case of the automobile industry. Notwithstanding the national defense emergency that existed throughout the whole of 1941, automobile production for civilian uses was allowed to continue virtually without restraint. Moreover, little if anything was done to prepare the industry for conversion to military production even after actual participation in the war became a daily possibility.

When war did come, we were caught without civilian restrictions, and without conversion plans, with the result that a sudden and complete prohibition of auto sales was decreed.

The committee's inquiry into plane manufacture throws no more favorable light on the O. P. M. and its dollar-a-year men. Here the Senators found that 19 "favored manufacturers" obtained the bulk of airplane orders and loans, while some 60 other manufacturers were unable to get contracts of any consequence. The committee also found an "ingrained distrust of small manufacturers," with the result that small industry was not getting its share of war work.

The case against the dollar-a-year man is still further strengthened by the committee's report on copper, zinc, and lead production. That the need for these vital metals would greatly increase in the event of war was obvious even to rank-and-file citizens. Yet the O. P. M., in the committee's words, "failed to realize the necessity of increasing production until long after the probability of shortage was apparent."

The man who goes to Washington to work for the duration should be an employee of the American people. He should be paid by the American people. He should look out for their interests. It is too much to expect him to be a disinterested public servant if his salary is being paid by his company. As the Truman committee says, "No man can honestly serve two masters."

The committee performs a public service in focusing attention on the highly questionable dollar-a-year arrangement.

SUPPLEMENTAL DATA

The following data appear herewith in connection with the testimony of Brig. Gen. F. H. Osborn, *supra*, p. 3770.

[Copy]

Circular No. 170

Cir. 170
WAR DEPARTMENT,
Washington, August 16, 1941.

	Section
Rations-----	I
Prohibition of prostitution within reasonable distance of Military Establishments--	II
Addenda to Ordnance Standard Nomenclature Lists-----	III

I—Rations.—Pending the publication of a revision of Circular No. 28 War Department, 1941, the field ration prescribed for a trial period of three months by that circular as amended is continued in effect.

(A. G. 430.2 (8-8-41).)

II—Prohibition of prostitution within reasonable distance of Military Establishments.—The following procedure is prescribed in order to carry out effectively the provisions of the act of Congress approved July 11, 1941 (sec. I, Bull. No. 23, W. D., 1941) :

1. The commanding officer of each post, camp, or station is basically responsible for determining if and when prostitution in areas adjacent to the military reservation adversely affects the efficiency, health, and welfare of the personnel of the post, camp, or station. Initially he will enlist the efforts of the local civil authorities to remove such prostitution conditions.

2. If such local cooperative measures are not effective, the local commander will make written request to his appropriate corps area commander for a special report of prostitution conditions in the specific area adjacent to the post, camp, or station. Such requests will be referred to the Defense Regional Coordinator of the Federal Security Agency who, under existing arrangements, will cause a special investigation and report of conditions to be made. The Regional Coordinator's report when received by the corps area commander will be referred to the local military commander for his information.

3. If the Regional Coordinator's report transmitted through the corps area commander to the local commander contains factual information of the existence of prostitution, the local commander will again consult the local authorities, inform them of the general contents of the report, and advise them of the action in paragraph 4 which he will be required to take if the unfavorable conditions are not corrected.

4. If the local authorities fail to take corrective measures within a reasonable period of time after they have been informed of the contents of the report, the local commander will forward a letter to The Adjutant General, through military channels, containing the following :

(a) A statement of prostitution conditions which are inimical to the efficiency, health, and welfare of his command, based upon the Regional Coordinator's report.

(b) A narrative of the efforts which have been made to cause the local authorities to correct conditions.

(c) A recommendation as to the specific areas or areas which the Secretary of War shall publicly announce.

5. If the report indicated in paragraph 4, together with other available information, indicates the existence of a condition harmful to the efficiency, health, and welfare of military personnel at the specified post, camp, or station, the Secretary of War shall designate and publish in War Department orders the specific area or areas adjacent to or a limiting zone around the post, camp, or station where it shall be unlawful to engage in prostitution or otherwise aid or abet same as described in the act of Congress referred to above.

(A. G. 250.18 (3-12-41).)

III—Addenda to Ordnance Standard Nomenclature Lists.—1. Addenda to Ordnance Standard Nomenclature Lists are being revised. These addenda indicate the quantities of parts which are estimated as required to maintain the number of major items, usually 100, indicated by the addenda for a period of 1 year in the theater of operations.

2. These addenda, until experience indicates otherwise, should be used by reviewing officers as the basis for checking requisitions as to quantities and nomenclature of parts.

(A. G. 062.1 (8-7-41).)

By order of the Secretary of War:

Official:

J. A. ULIO,
Brigadier General,
Acting The Adjutant General.

G. C. MARSHALL,
Chief of Staff.

The following data appears herewith in connection with the testimony of Henry B. Fernald, *supra*, p. 3824.

THE AMERICAN MINING CONGRESS,
Washington, D. C., December 13, 1941.

Hon. HARRY S. TRUMAN,

Chairman, Special Committee Investigating National Defense,
United States Senate, Washington, D. C.

DEAR SENATOR TRUMAN: When appearing before your Committee on December 11, you extended to me the opportunity to supplement my testimony. I am accordingly submitting a letter from Mr. Elmer Pehrson, Chief of the Economics and Statistics Branch of the U. S. Bureau of Mines, addressed to the Secretary of the American Mining Congress and giving official statistics of the domestic mine production of copper, lead, and zinc for 1940 and 1941.

These represent the production *from the mines*, which was the subject of the Committee's discussion. You will note that both copper and zinc show substantial increases in 1941 over 1940, and that lead production for 1941 is estimated as slightly in excess of that for 1940. These present quite a different picture from some of the statements made during the committee hearings on December 11.

I ask that my letter and the letter from Mr. Pehrson be incorporated in the record of the hearings immediately following my testimony.

Respectfully yours,

HENRY B. FERNALD,
Chairman, Tax Committee, The American Mining Congress.

UNITED STATES DEPARTMENT OF THE INTERIOR,
BUREAU OF MINES,
Washington, December 12, 1941.

Mr. JULIAN D. CONOVER,

Secretary, American Mining Congress,
Munsey Building, Washington, D. C.

DEAR MR. CONOVER: In reply to your request for data on the domestic mine production of copper, lead, and zinc, I am pleased to submit the following statistics prepared by the Bureau of Mines:

	Short tons		
	Copper	Lead	Zinc
1940:			
Total	878,086	457,392	665,068
Monthly Average	73,174	38,116	55,422
1941:			
Jan.	77,569	37,664	58,101
Feb.	77,569	37,664	58,101
Mar.	77,569	37,664	58,101
Apr.	80,113	38,234	61,436
May	83,683	39,116	60,703
June	82,314	38,136	62,916
July	80,043	36,867	59,800
Aug.	81,058	36,910	62,823
Sept.	79,655	37,806	62,339
Oct.	81,600	38,000	63,300
Total for 10 months	801,173	378,061	607,623
Nov. (estimated)	82,000	40,000	63,000
Dec. (estimated)	82,000	40,000	63,000
1941 total	965,173	458,061	733,623

Cordially yours,

E. W. PEHRSON,
Chief, Economics and Statistics Branch.

The following information appears in connection with the testimony of Douglas C. MacKeachie, *supra*, pp. 4061, 4071:

WAR PRODUCTION BOARD,
Washington, D. C., February 16, 1942.

Mr. HUGH A. FULTON,
Room 449, Senate Office Building,
Washington, D. C.

DEAR MR. FULTON: During his appearance before the Truman committee on Thursday, February 12, Mr. MacKeachie was asked two questions to which he agreed to secure answers for the record. In his absence from the city he has asked me to send you this information:

The first question in effect was:

"What is the present status of the company called Ships, Inc., which was set up to build the so-called sea-otter type of merchant ships outside Maritime Commission specifications?"

The answer supplied by Capt. J. O. Gawne, Assistant Chief, Shipbuilding Branch, is as follows:

"Ships, Inc., is a Government corporation, of which Mr. E. B. Germain is president, organized under the Reconstruction Finance Corporation to build the sea-otter type of cargo ship. Preferred stock in the amount of \$100,000 was purchased by the Reconstruction Finance Corporation, of which sum \$14,000 has been expended for engineering and development work. No expense has been incurred for salary. One vessel had previously been built, but the Board of Directors of Ships, Inc., recommended, after thorough trials and tests had been conducted, not to build any additional vessels of this type, due to the limitations in usefulness of the type. The Secretary of the Navy agreed with the report of the trials board and the board of directors, and by direction of the President the available balance of about \$86,000 is to be returned to the Reconstruction Finance Corporation, but the corporate structure is to be maintained as a facility to be available for any similar purpose for which it might be required."

The second question was in effect:

"We understand that crane manufacturers whose facilities could be well utilized for heavy military construction will run out of contracts in June. Is this correct? If it is, what plans are being made for the conversion of the industry?"

The answer to this question provided by Mr. George C. Brainard, Chief, Tools Branch, is as follows:

"Replying to yours of February 13, please be advised that all builders of cranes of the overhead factory type, also for steel mills, shipyards, and so forth, are extremely busy; they have large backlogs of unfilled orders, and, in addition, this Branch is instigating pool orders for the entire balance of their 1942 production. In order to meet the requirements, the output of several companies is to be expanded through the use of additional machine tools and other facilities."

If there is any additional information you would like in regard to these questions, please do not hesitate to ask for it.

Sincerely,

STANLEY F. TEELE,
Consultant, Division of Purchases.

The following data are included in connection with the testimony of Donald M. Nelson, *supra*, pp. 4025-4047:

FEBRUARY 16, 1942.

DONALD M. NELSON, Esq.,
Chairman, War Production Board,
New Social Security Building, Washington, D. C.

DEAR MR. NELSON: The orders which you have issued for an investigation of the dollar-a-year men under your jurisdiction are of great interest to the committee. I am hopeful that you will be able to make substantial progress in weeding out those who were responsible for the failures of the past and in substituting capable men who will have the courage to meet the problems with which we are faced. Unless you can accomplish such a substitution, you are certain to encounter serious difficulties carrying out your program. I am glad that you are

not going to rely simply upon a reshuffle of the procurement agencies without a substantial change in personnel.

The committee believed that the problem of substituting the right men for the wrong men was so great that the practice of retaining dollar-a-year men should be abandoned, so that those who were more interested in their remuneration than in their public service would automatically be eliminated, and those public-spirited individuals, like yourself, would be retained. You have informed the committee that you desire to retain some dollar-a-year men who, by reason of the standard of living to which they have accustomed themselves, cannot afford even temporarily to work for the Government for \$10,000 per year, or less. The committee does not like to have important procurement matters entrusted to men who have given such hostages to fortune. Those who cannot forego large incomes temporarily cannot reasonably be expected to take a chance of foregoing them permanently by taking positions on behalf of the Government with which the controlling officials of their corporations are not in sympathy. In the committee's opinion, this was one of the principal reasons for the now generally admitted failures of the Office of Production Management.

However, the committee believes that the best interests of the procurement program require that it be administered by a single head who will be able to do things his own way and who will be judged by his accomplishments as a whole and not by his position on individual matters. The committee will, therefore, support you even on matters on which it disagrees with you, and believes that all other agencies of the Government should afford you a similar unquestioning support until you have had a full opportunity to achieve the success which we all hope that you will achieve.

The orders which you have issued, if rigorously and expeditiously carried out, should go far to lessen the evils inherent in the practice of retaining dollar-a-year men. The committee will appreciate it if you will furnish it with copies of the reports which you have instructed your division heads to furnish you within 30 days.

Very truly yours,

HARRY S. TRUMAN,
United States Senator.

WAR PRODUCTION BOARD,
Washington, D. C., February 16, 1942.

HON. HARRY F. TRUMAN,
United States Senate, Washington, D. C.

DEAR SENATOR TRUMAN: On January 28 your committee afforded me the opportunity to appear before it and explain why in my opinion it is essential to the prosecution of our maximum war effort that the War Production Board continue to have the privilege of engaging properly qualified dollar-a-year men. At that time I explained the rules and limitations laid down for the War Production Board to govern all future employment of dollar-a-year men and the review of all such personnel presently employed.

Since that date, I have formalized these rules in two general administrative orders, one covering appointments on a dollar-a-year basis and the other personnel serving on a without-compensation basis. Together with a memorandum sent to each Division head on February 10, 1942, these two orders outline the procedure to be followed with respect to future appointments and in the review of all personnel presently serving in the War Production Board on other than a regular salary basis.

To administer these orders a special department has been set up in the personnel branch and my assistant, Mr. Sidney J. Weinberg, has been designated the approving officer with responsibility for seeing that all dollar-a-year and without-compensation personnel meet the qualifications I have laid down.

I am attaching copies of the orders and memorandums referred to above for your information. I would welcome any comments or suggestions you may have with respect to the steps taken and know you will call upon me should you desire any further information.

Sincerely yours,

D. M. NELSON, *Chairman.*

WAR PRODUCTION BOARD,
February 10, 1942.

Subject: Appointments on a dollar-a-year basis.

GENERAL ADMINISTRATIVE ORDER No. 4

SECTION 1. *Purpose of this order.*—.01 The purpose of this order is to prescribe regulations governing appointments on a dollar-a-year basis in the administrative organization of the War Production Board.

SEC. 2. *Summary of governing principles.*—.01 Any nominee for appointment on a dollar-a-year basis must be a citizen of the United States, of high integrity and good moral character, of outstanding experience and ability, qualified for a responsible administrative, technical, consulting, or advisory position, and in receipt of earned income from his current nongovernmental employment at a rate of at least \$5,600 a year.

.02 The position to which the appointment is to be made must be one requiring special business or technical knowledge and experience.

.03 No dollar-a-year appointment shall be made to any position if, by reasonable effort, an equally well-qualified person can be found who will serve on a regular governmental salary basis.

.04 No person so engaged shall make determinations directly affecting the affairs of the firm or company in which he is employed.

.05 No permanent appointment shall be made except after a thorough investigation of the proposed appointee by one of the investigatory agencies of the Government.

SEC. 3. *Class of position to which appointment may be made on a dollar-a-year basis.*—.01 No person may be nominated for an appointment on a dollar-a-year basis until the duties and responsibilities of the position he is to fill and its place in the organization have been described in writing on Form GA-2 (attached) and until the administrative officer, or such person as may be designated by him, has reported to the Division head concerned whether the position is one which, in accordance with the provisions of this order, may be filled by an appointment on a dollar-a-year basis. The Division head may appeal from such determination to the Chairman, or such person as may be designated by him, and his ruling shall be final.

SEC. 4. *Nomination for appointment on a dollar-a-year basis.*—.01 A nomination for the appointment of any person to any position on a dollar-a-year basis may be made only by a division head, and only for a position within his division, to the chairman or such person as may be designated by him.

.02 A nomination shall be made through the medium of Form GA-6 (attached) signed on the front by the nominator and on the reverse by the nominee and the nomination shall be approved by the chairman, or such person as may be designated by him.

SEC. 5. *Appointment on a dollar-a-year basis subject to confirmation by the chairman.*—.01 Upon approval of nominations as provided in section 4 of this order, nominees for appointments on a dollar-a-year basis shall be given temporary appointments and inducted into the Government service by the Director of Personnel, subject to later confirmation of their appointments upon completion of investigations and classification of the positions filled by them.

.02 The Chairman of the War Production Board, or such person as may be designated by him, upon receipt of reports of investigations, will make the appointments on a dollar-a-year basis or terminate the services of the temporary appointees.

SEC. 6. *No nominee to enter on duty prior to induction into Government service.*—.01 A nominee for appointment on a dollar-a-year basis shall not be permitted to enter on duty prior to his induction, under temporary appointment, into the Government service by the Director of Personnel, nor shall he be entitled to any reimbursement for travel or other expenses incurred by him prior to induction. Upon induction he shall take the oath of office and shall agree that in accepting this appointment as a Government official and while serving in that capacity he ceases to represent his employer or his industry and that all of his actions will be taken in the public interest.

SEC. 7. *Transfers or changes of duties or status, including releases and terminations of personnel serving on a dollar-a-year basis.*—.01 Executives and employees on the dollar-a-year basis may not be transferred to a newly created position, or fill a vacancy in an existing position, without the approval of the Division head and the Director of Personnel.

.02 No substantial changes in the duties of an executive or employee on \$1-a-year basis shall be effected without written advice of such changes by the director of the division concerned to the Director of Personnel.

.03 No action to remove a dollar-a-year man for cause shall be initiated without specific authorization by the Chairman, or an executive designated by him. If the services of a dollar-a-year man are terminated for any reason, the Director of Personnel shall immediately be advised by memorandum of the effective date of such termination.

.04 Executives and employees on a dollar-a-year basis are subject to the same supervision and direction as regular salaried officers and are expected to observe established policies and rules as to attendance on duty and absence from duty, as required by their immediate superiors.

SEC. 8. *Administrator Order No. 30, superseded.*—.01 Administrative Order No. 30, dated November 12, 1941, is superseded by this order.

SEC. 9. *Exceptions under the provisions of this order.*—.01 There shall be no exceptions to the provisions of this order in making appointments on a dollar-a-year basis except as specifically authorized by the Chairman, or such person designated by him.

SEC. 10. *Effective date.*—.01 This order shall be effective on and after February 10, 1942.

DONALD M. NELSON, *Chairman.*

Prepare and sign three copies. Transmit all three copies to divisional administrative officer who will review, number, and approve the request and transmit two copies to personnel branch and retain third copy.	FORM GA-2 (2-2)	Date of request	Request No.		
	UNITED STATES OF AMERICA WAR PRODUCTION BOARD REQUEST FOR CLASSIFICATION OF POSITION(S)	Division Branch Section and unit			
		KIND OF POSITION Temporary (how long) Permanent			
		DIVISION RECOMMENDATION Title of position Grade and rate of pay Number of positions Request prepared by Date Approved <i>Divisional Administrative Officer.</i> Date			
		PERSONNEL BRANCH RECOMMENDATION Title Grade and rate of pay Classification unit <i>Classification Analyst.</i> Date			
		Class sheet(s) prepared and submitted to C. S. C. by <div style="text-align: right;"> (Signature) </div> Date			
		CIVIL SERVICE APPROVAL Title Grade and rate of pay <table border="1"> <tr> <td>No.</td> <td>Date</td> </tr> </table> Assigned position numbers		No.	Date
No.	Date				
(If more space is needed use reverse side or attach additional plain sheets)					

CERTIFICATE OF EMPLOYING OFFICER

I certify that the position herein described is needed, that the description thereof reflects the kind of the position as it is intended it should exist, and that its place in the organization is correctly shown.

Signature of employing officer _____

Date _____

Title _____

INSTRUCTIONS FOR DESCRIBING A POSITION

Each employing officer is responsible and held accountable for the accuracy of the description, for the purpose of classification and grading, of each position within the scope of his employing authority. Each position description shall be such as will convey to any incumbent of the position a correct understanding of his place in the organization and a proper basic concept of his responsibilities and functions or duties.

In describing each position, employing officer shall include a statement with respect to each of the following: (1) The character and degree of supervision to be received by the incumbent; (2) the character and degree of supervision the incumbent is to exercise over other employees in the organization unit; (3) the specific duties and responsibilities to be exercised by incumbent; and (4) the qualifications required of candidate to be selected to fill the position, including knowledge, ability, experience, and education. If the requested position is in the custodial service, or the stenographic, typing, or clerical series in the CAF service and is below grade CAF-5 or an equivalent grade, the statement of qualifications may be omitted, unless the employing officer wishes to state any special requirements.

FORM GA-6 (2-2) UNITED STATES OF AMERICA WAR PRODUCTION BOARD NOMINATION FOR APPOINTMENT ON \$1-A-YEAR BASIS	POSITION
Name _____	Title and grade _____
Business address _____	Division _____
Home address _____	Branch or office _____
Date of birth _____ Place of birth _____	Section _____
Official headquarters _____	Unit _____

DETAILED STATEMENT OF EXPERIENCE (INCLUDE LOCATION OF COMPANIES, PERIOD OF EMPLOYMENT, SALARIES, DIRECTORSHIPS, MEMBERSHIPS, AND PUBLIC SERVICES)

I nominate for the position described herein and I certify that to the best of my knowledge and belief, (1) he is a citizen of the United States, of high integrity and good moral character, of outstanding experience and ability, and fully qualified for such position; (2) and that a reasonable effort has been made to find an equally qualified person for this position who would serve on a regular governmental salary basis and that no such person has been found; (3) and the information given hereon is true and correct.

Signature of nominator _____

Date _____

Director _____ Division _____

CERTIFICATION RESPECTING EMPLOYMENT ON A DOLLAR-A-YEAR BASIS

I certify that I have been granted leave of absence and have been authorized by my employer to accept an appointment in the War Production Board on a dollar-a-year basis.

I hereby expressly agree that in accepting this appointment as a Government official and in the course of my official duties, I will not represent my employer or my industry and that all my actions will be taken in the public interest.

Date _____ Signed _____

WAR PRODUCTION BOARD, February 10, 1942.

Subject: Personnel Serving on a "without compensation" basis.

GENERAL ADMINISTRATIVE ORDER NO. 5

SECTION 1. Purpose of this order.—01 The purpose of this order is to prescribe regulations to govern the securing or accepting of the services of individuals on a "without compensation" (W. O. C.) basis.

SEC. 2. Qualifications of persons rendering services on a "without compensation" basis.—01 Any person who is to serve the War Production Board on a "without compensation" basis must be a citizen of the United States, of high integrity and good moral character, of outstanding experience and ability, and well qualified to give authoritative advice on a specific problem or program of the War Production Board.

SEC. 3. Class of service that may be rendered on a "without compensation" basis.—01 An individual may serve on a "without compensation" basis in an advisory capacity to the War Production Board. Individuals shall serve in this capacity as Government consultants working in the public interest and not as representatives of their private employer or industry. Any person serving on such a basis may not be permitted to assume any administrative responsibility nor to exercise any authority over, or direction of the work of, executives or employees of the War Production Board. No person shall be permitted to serve on a "without compensation" basis on one nomination for more than a total of 30 days nor over a period longer than 3 months. A subsequent period of service may be authorized in accordance with the foregoing provisions of this section by the division head concerned. Any such extension shall be effected by a written memorandum addressed to the Director of Personnel and signed by the division head, without the preparation and submission of Form GA-7 (attached).

SEC. 4. Nominations of persons to serve on a "without compensation" basis.—01 Nominations of persons to serve on a "without compensation" basis may be made by the division head for positions within his division to the administrative officer or such person as may be designated by him. Any such nomination will be made through the medium of Form GA-7, in duplicate.

02 If the administrative officer, or such person as may be designated by him, agrees that the nomination is in accordance with the provisions of sections 2 and 3 above, he will secure the approval on both copies of Form GA-7 by the Chairman, or such person as may be designated by him. Upon approval he will return a copy of Form GA-7 to the nominator, who will arrange to have the nominee report for duty.

SEC. 5. Oath of office; entrance on duty.—01 When a nominee reports for duty the nominator or his representative will give him a copy of Form GA-7 and request him to present it, in person, to the Personnel Branch.

02 No official duties shall be assigned to any nominee until he has taken the oath of office. No Government travel authority will be issued to any nominee, nor can reimbursement be allowed by the Government for expenses of any kind incurred by the nominee prior to the date his nomination is approved by the Chairman, or by such person as may be designated by him.

SEC. 6. Transitional provisions.—01 Within 30 days from the effective date of this order each division head will arrange to have continued on one of the following bases all personnel now serving in his division on other than a regular salary basis or on a dollar-a-year basis, approved and formalized prior to the date of this order:

1. On temporary appointments on a dollar-a-year basis as provided in General Administrative Order No. 4.

2. On dollar-a-year appointments if they have qualified and if satisfactory reports of investigations have been received.

3. On a "without compensation" basis in accordance with the foregoing provisions of this order.

4. On a regular-salary basis in accordance with the rules and regulations of the Civil Service Commission.

SEC. 7. *Exceptions under provisions of this order.*—01 There shall be no exceptions to the provisions of this order in making appointments on a "without-compensation" basis, except as specifically authorized by the Chairman, or such person as may be designated by him.

SEC. 8. *Effective date.*—01 This order is effective February 10, 1942.

DONALD M. NELSON, *Chairman.*

<p>FORM CA-7 (2-2)</p> <p>UNITED STATES OF AMERICA</p> <p>WAR PRODUCTION BOARD</p> <p>NOMINATION FOR SERVICE ON A WITHOUT COMPENSATION BASIS</p>	<p>DESCRIPTION OF ADVISORY SERVICE FOR WHICH NOMINATED</p>							
<p>Name.....</p> <p>Business address.....</p> <p>Home address.....</p> <p>Date of birth.....</p>	<table border="1"> <tr> <td data-bbox="547 720 766 763">Place of birth.....</td> <td data-bbox="766 720 870 763">Division.....</td> <td data-bbox="870 720 970 763">Section.....</td> </tr> <tr> <td data-bbox="547 763 766 803">Official headquarters.....</td> <td data-bbox="766 763 870 803">Branch or office.....</td> <td data-bbox="870 763 970 803">Unit.....</td> </tr> </table>		Place of birth.....	Division.....	Section.....	Official headquarters.....	Branch or office.....	Unit.....
Place of birth.....	Division.....	Section.....						
Official headquarters.....	Branch or office.....	Unit.....						

DETAILED STATEMENT OF EXPERIENCE (INCLUDE LOCATION OF COMPANIES, PERIOD OF EMPLOYMENT, SALARIES, DIRECTORSHIPS, MEMBERSHIPS, AND PUBLIC SERVICES)

I nominate for service in an advisory capacity without compensation and I certify that, to the best of my knowledge and belief, (1) he is a citizen of the United States, of high integrity and good moral character, of outstanding experience and ability, and fully qualified for such position, and (2) the information given hereon is true and correct.

Signature of Nominator.....

Date.....

Director.....Division

TENDER OF SERVICE ON A WITHOUT COMPENSATION BASIS

At the request of the War Production Board I hereby undertake to serve the Board, without compensation of any nature from the United States Government; except that I will be reimbursed for actual transportation expenses while on official business and will receive not to exceed \$----- per diem in lieu of actual subsistence and expenses while serving away from my home.

I hereby expressly agree that, as a Government consultant in the course of my official duties, I will not represent my employer or my industry and that all my actions will be taken in the public interest.

Signature.....

Address

Date.....

FEBRUARY 10, 1942.

To: All division heads.
From: Donald M. Nelson.
Subject: Analysis of presently employed dollar-a-year men.

Attached is General Administrative Order No. 4 outlining the new procedure to be followed hereafter in connection with the employment of personnel on a dollar-a-year basis. I have designated Mr. Sidney J. Weinberg, assistant to the Chairman, to act on my behalf in the administration of such activities reserved under this order to the office of the Chairman.

The order applies not only to future and pending appointments but it is important that all dollar-a-year men presently employed, and the positions which they occupy, meet the qualifications outlined under section 2 of the order.

In the light of the requirements of this section, will you please go over the names of all dollar-a-year men in your division whose appointments have already been formalized. Please arrange to terminate all those men whose positions or personal qualifications do not qualify them as dollar-a-year men or, in those cases where their records qualify such action, arrange to place them on a salaried basis.

Men whose dollar-a-year appointments are pending and whose appointments have not been formalized will be considered as new nominations subject to the conditions of the new order and need not be included in the review of existing personnel.

Thirty days from the date hereof, please send me a report on the subject indicating—

(a) The names of those men who as individuals continue to qualify as dollar-a-year men and whose positions warrant dollar-a-year status.

(b) The names of former dollar-a-year men whom you have transferred to a salary basis.

(c) The names of former dollar-a-year men whose services have been terminated.

FEBRUARY 10, 1942.

MEMORANDUM

To: Sidney J. Weinberg.
From: Donald M. Nelson.
Subject: Appointments on a dollar-a-year basis.

I have just signed General Administrative Orders No. 4 and No. 5 setting up new procedures to be followed in appointments on a dollar-a-year basis and for "without compensation" services.

I hereby designate you to act on my behalf in the administration of such activities reserved under this order to the office of the Chairman.

X

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